

# Royal College of Music

## Annual review and financial statements

### 2017/18



**Front cover**

Bernard Haitink conducts Strauss's *Alpine Symphony* with the RCM Symphony Orchestra, February 2018

## Royal College of Music

Annual Review and Financial Statements 2017/18

### Patron

Her Majesty The Queen

### President

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

### Vice-Presidents

The Most Revd and Rt Hon the Lord Archbishop of Canterbury

The Most Revd and Rt Hon the Lord Archbishop of York

The Rt Hon the Lord Mayor of London

Sir Anthony Cleaver FRCM

Lady Middleton FRCM

Mr Humphrey Norrington OBE FRCM

Dame Janet Ritterman DBE HonDMus

Mr Ian Stoutzker CBE FRCM

Professor Lord Winston

(appointed 2017)

### Council independent members

The President

Lord Black of Brentwood (Chairman)

(appointed Chairman August 2017)

Mrs Jane Barker CBE (Deputy Chairman)

Mr Peter Dart

Mr Douglas Gardner

Mr Andrew Haigh

Sir George Iacobescu

Ms Ruth Keatch

The Hon Richard Lyttelton

Mr John Nickson

Mr Andrew Ratcliffe

Mr Geoffrey Richards HonRCM

(appointed August 2017)

Ms Alethea Siow

Mr Rhoderick Voremberg

Ms Veronica Wadley CBE

(appointed April 2018)

Mr David Whelton OBE HonRCM

(appointed April 2018)

Mr Bob Wigley

(term completed April 2018)

### Council ex-officio or elected members

Professor Colin Lawson CBE FRCM (Director)

Mr Kevin Porter HonRCM (Deputy Director)

(appointed April 2018)

Professor Ashley Solomon HonRCM

(term completed July 2018)

Professor Vanessa Latache FRCM

Mr William Mivel FRCM

(elected August 2018)

Mrs Elly Taylor HonRCM

Mr Nathan Cho

(Students' Union: term completed July 2018)

Ms Eleanor Mackie

(Students' Union: elected July 2018)

### Clerk to the Council

Mrs Charlotte Martin HonRCM

(appointed September 2018)

Mr Kevin Porter HonRCM

(resigned August 2018)

## **Royal College of Music**

Annual Review and Financial Statements 2017/18

### **Finance and General Purposes Committee**

Mrs Jane Barker CBE (Chairman)  
Lord Black of Brentwood  
Professor Colin Lawson CBE FRCM (ex officio)  
Mr Douglas Gardner  
Mr Rhoderick Voremberg

### **Audit Committee**

Mr Andrew Ratcliffe (Chairman)  
The Hon Richard Lyttelton  
Mr Andrew Haigh  
Mr John Heywood

### **Registered Office**

Royal College of Music  
Prince Consort Road  
London  
SW7 2BS

### **Auditors**

BDO LLP UK  
2nd Floor, 2 City Place, Beehive Ring Road  
Gatwick  
West Sussex  
RH6 0PA

### **Bankers**

Royal Bank of Scotland PLC  
36 St Andrew Square  
Edinburgh  
EH2 2YB

### **Solicitors**

Boodle Hatfield LLP  
240 Blackfriars Road  
London  
SE1 8NW

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## CHAIRMAN'S MESSAGE



As one of the world's leading conservatoires, the Royal College of Music is a jewel in the crown of the UK's artistic and creative life and I was deeply honoured to have been chosen to succeed Professor Lord Winston as Chairman of Council in August 2017.

The 2017/18 academic year has been momentous for RCM as we celebrated a quarter of a century under the presidency of HRH The Prince of Wales, continued our transformational campus redevelopment and marked the 50<sup>th</sup> anniversary of the RCM studios.

The progress brought about by the More Music campus redevelopment is astonishing, especially as construction commenced only in June 2017. More Music Reimagining the Royal College of Music will create two new performance halls, an interactive museum, extra practice and rehearsal spaces and more communal space for students, staff and visitors. Construction is well underway and the two new performance spaces are taking shape; I wish to thank those involved for their continued support as we watch the More Music campaign transforming our college.

In addition to providing improved facilities for talented students from across the world, More Music will increase funds available for scholarships and bursaries, which will continue to allow the world's finest aspiring musicians to study at RCM, regardless of their means. It will also widen access to RCM Sparks, our pioneering educational

outreach programme and promote innovation through new academic appointments and development of accessible digital resources.

RCM's standing at the forefront of performing arts education throughout the world means we will continue to reinvest in resources for our students and in 2017/18 we unveiled our new £1 million concert hall organ in the Amaryllis Fleming Concert Hall. The organ was designed and built for RCM by Flentrop Orgelbouw and inaugurated at the Organ Festival in February. A major digital initiative has strengthened our role at the heart of global musical scholarship with a new website development led by our Museum team, bringing together 5,000 years of musical heritage and documenting 20,000 historically significant musical instruments; this will provide an invaluable tool for researchers across the globe for generations to come. We are also proud that Professor Aaron Williamson, Head of the RCM Centre of Performance Science, was nominated for the Healthy Humanities Medal in recognition of the team's work in raising awareness of the need for more effective health promotion initiatives for musicians.

We were sorry to say goodbye to Council members Bob Wigley, Professor Ashley Solomon and Nathan Cho and I thank them for their contributions. In turn we welcome Veronica Wadley CBE, David Whelton OBE, Kevin Porter, William Mival and new Students' Union President Eleanor Mackie on to our governing body. I wish to thank outgoing Chairman Professor Lord Robert Winston for his immense contribution to RCM during his ten years as Chairman and I welcome his ongoing support as an RCM Vice-President. I look forward to my future Chairmanship with pride in what we have achieved thus far and determination to see through to fruition RCM's ambitious plans to safeguard that legacy for years to come.

A handwritten signature in black ink, appearing to read 'Lord Black of Brentwood', written over a horizontal line.

Lord Black of Brentwood  
Chairman  
22 November 2018

## DIRECTOR'S REPORT

I am immensely proud to report that for the third consecutive year we have been ranked the top institution for performing arts in the UK and Europe, and second in the world (2018 QS World University Rankings). Coming during the most ambitious development in RCM's history, our consistent placing amongst the best educators in the world is perhaps no more aptly represented than by the results of this year's National Student Satisfaction Survey (NSS) where we were placed as the leading music conservatoire out of all UK Higher Education Institutions, and ranked seventh overall across all UK higher education institutions.

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

This year was the 25<sup>th</sup> anniversary of HRH The Prince of Wales' remarkable tenure as RCM President and endowed the annual President's Visit with a special import. Celebrated pianist Sir András Schiff was awarded an Honorary Doctorate and Nicholas McCarthy was made an HonRCM, having established a successful career as the first one-handed pianist to graduate from RCM. It was also a particular pleasure to witness Professor Lord Winston receiving an RCM Fellowship after ten years of transformational Chairmanship (2007 to 2017). In May, an RCM string quartet performed at the private reception following the Royal Wedding, hosted by HRH The Prince of Wales.

With uncertainty around the terms of the UK's break from the EU and declining uptake in arts subjects at GCSE, it is vital that RCM continues to demonstrate commitment to its partners at home and abroad. This year proved to be an outstanding one for the RCM Junior Department, with composer Chelsea Becker named winner of the 2017 BBC Proms Inspire Competition in the Lower Junior Category and four RCMJD students reaching Category Finals in the BBC Young Musician of the Year: Marie Sato, Toril Azzalini-Machecler, Will Duerden and Francis Bushell. In February a sold-out concert conducted by Bernard Haitink and featuring the RCM Symphony Orchestra and BBC Young Musician Martin James Barlett was streamed live to audiences around the world, a feat made possible by a joint initiative with medici.tv.

To embed further our presence in the global musical community we forged a new partnership with the Central Music School in Moscow, which will bring more opportunities for artistic collaboration and build on our existing partnership with the Shanghai Conservatory of Music. As well as investing in outward growth I am delighted that, in 2017/18, we gave more than £3million towards scholarships and awards. We can reassure EU students joining RCM in 2019/20 that, for the duration of their course, fees and funding levels will not be impacted by Brexit negotiations. The vibrancy of our campus and the impact of our collaborations are indubitably strengthened by the diversity of students and staff, something we are proud of and will continue to champion far into the future.

Lastly, I wish to welcome our new Chairman, Lord Black of Brentwood, and I look forward to RCM's continued success under his guidance.



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

Colin Lawson CBE FRCM  
**Director**  
22 November 2018

## FINANCIAL REVIEW

### A sustainable future

#### Financial results for 2017/18

Royal College of Music made a surplus before gains and losses of £10.4million; however this included £5million of donations made specifically for the More Music courtyard development and restricted capital donations of £2.5million. After adjusting for these restricted items, and £145,000 of related expenditure, the underlying surplus was £3.1million (the comparable underlying surplus for 2016/17 was £2million).

	2018 £000s	2017 £000s	2016 £000s	2015 £000s
<b>Surplus before gains and losses</b>	<b>10,372</b>	<b>10,692</b>	<b>2,508</b>	<b>1,930</b>
Adjustments for restricted items				
<i>Deduct restricted donations</i>				
<i>More Music courtyard development</i>	<b>(4,964)</b>	(9,046)	0	0
<i>Legacy donations</i>	<b>(2,468)</b>	(513)	(1,681)	(1,590)
<i>Add back courtyard development expenditure</i>	<b>145</b>	828	0	0
<b>Comparable surplus for the year</b>	<b>3,085</b>	<b>1,961</b>	<b>827</b>	<b>340</b>

#### Financial Sustainability Strategy

The current RCM Financial Sustainability Strategy was approved in July 2013 by the RCM Council and included 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 2017/18 we achieved or exceeded these targets; we exceeded our targets for surplus and operating cash in order to generate and maintain sufficient cash to pay for the More Music courtyard development. Main changes compared with 2016/17 are:

- student fee income increased by 5.9%, reflecting our continued strong student recruitment;
- funded research income fell by £482,000, although this is a reflection that in the previous year we finalised a number of research accounts; our research activity continues to be buoyant;
- donations and endowments income was £2.3million higher reflecting additional restricted capital donations received during 2017/18 of £2.5million;
- More Music courtyard donations income in 2017/18 was £5million, compared to £9million in 2016/17. However, the 2016/17 financial statements included release of all donations received since commencement of the More Music capital campaign, including £4.5million received in prior years; and
- other operating expenses decreased by £1.0million; the major elements were £683,000 less spend on business as usual costs for the More Music courtyard development (2017, included one-off upfront costs for business as usual) and £228,000 less on research expenditure, reflecting that in 2016/17 we finalised a number of historical research accounts.

#### 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 2017/18 national pay settlement was agreed at 1.7% effective from 1 August 2017. The pay award for 2018/19 was not agreed with the trade unions and was implemented by employers at 2.0% in August 2018.

Unison is a trade union recognised by RCM and its elected representatives are permitted to take reasonable paid time off to carry out some union duties. In 2017/18, 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	£1,385
• total RCM staff cost	£14.1million
• staff cost related to trade union activities as a percentage of RCM's total staff cost	0.01%
• time spent on paid trade union activities	0.00%

## Reserves

The unrestricted income and expenditure reserve of £29.6million (£25.6million at 31 July 2017) is the accumulated surplus generated from RCM activities, which is unrestricted in its use and available for the benefit of RCM. This reserve is maintained to support our pension and other long-term liabilities and provide for capital projects not funded by donations. In recent years we have built up reserves in order to: maintain RCM's sustainability during a period of cuts in government grants and major change in the higher education sector; and support capital projects, including purchase of Markova House and the More Music courtyard development. RCM also holds a restricted income and expenditure reserve of £13.6million, which includes £13million of donations held specifically for the More Music courtyard development.

## Investment performance

The Investment Committee monitors the performance of RCM's investment portfolios which, after liquidating £11.5million during the year, have a total value of £46.4million (£53.2million at 31 July 2017). There are three funds:

- Scholarship and Awards Fund £36.6million (£32.2million at 31 July 2017): 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 £9million (£20.3million at 31 July 2017): a short/mid-term fund established to work in coordination with RCM's working capital requirements and capital requirements, including the More Music courtyard development. During 2017/18, RCM withdrew £11.5million from this fund as part of our planned financing of the More Music courtyard development; and
- Junior Department Fund £753,000 (£691,000 at 31 July 2017): a long-term fund with the purpose of generating income for bursaries; it is not expected that there will be significant draw down of capital from the fund.

The investment strategy for each fund is:

- Scholarship and Awards Fund: withdrawal rate of 3.5% (net of fees); a portfolio with a good probability of maintaining the real-term value of the fund, without assuming too high a risk profile;
- General Fund: a portfolio, which for part of the fund provides a similar income yield, growth and risk to the Scholarship and Awards Fund; and for part of the fund, 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. During 2017/18, Newton Investment Management Ltd continued as RCM's investment advisers. In 2017/18, we gained £2.3million (£694,000 in 2016/7) on our investments and this is reflected in the statement of comprehensive income and expenditure. Income from investments is important to RCM's sustainability as this provides income for scholarships and general expenditure and is a source of funding for capital projects. RCM has tendered its investment management arrangements and decided to split its long-term funds between three fund managers, with appointments currently being finalised.

## RCM student accommodation

RCM owns student accommodation, Prince Consort Village (PCV), in Ravenscourt Park, which is operated by Campus Living Villages who paid RCM a lease premium of £15.6million (£12.6million in 2014 and £3million in 2016) in return for a 51-year lease, which will be returned to RCM on payment of a nominal fee (£1). RCM Business Enterprises Limited (RCM BEL) is a wholly owned RCM subsidiary and the RCM Scholarship Fund invested £1.7million through RCM BEL in PCV. This investment represents a 20% stake and it is held in order to generate additional income for student scholarships.

## Capital projects

Funds generated from the PCV lease premium will be used to finance the purchase of Markova House from English National Ballet. Markova House is 200 metres from our main Prince Consort Road Campus and will provide additional accommodation for teaching, research, practice and rehearsals as well as office and communal space. The purchase price is £15.3million and RCM exchanged contracts on this purchase in October 2015, with completion planned for spring 2019. Construction on the More Music courtyard development commenced in June 2017, with completion planned for 2019/20. In 2016,

RCM commissioned renowned Dutch organ builder Flentrop Orgelbouw to build a new organ in the Amaryllis Fleming Concert Hall. Installation was completed in autumn 2017 at a cost of £1.3million and the organ is now in use.

## Treasury

During the year there was a net cash inflow from operating activities of £5.6million (£3.5million in 2016/17) of which we spent £9.8million on fixed assets in the year, related largely to the More Music courtyard development. We also liquidated £11.5million of long-term investments and increased short-term deposits by £11.0million. Also in the year we received £2.5million legacy donations (£513,000 in 2016/17).

There is an outstanding loan balance with the Royal Bank of Scotland of £1.3million at a fixed interest rate of 5.3%, with eight years remaining. This is charged to a general covenant on RCM. Loan finance is required to support the More Music courtyard development and, in 2017, RCM contracted with the Royal Bank of Scotland for a five-year rolling credit facility of up to £13million, which has not yet been drawn down.

## Charities Act 2006 and principal regulator

In 2010, as a result of the Charities Act 2006, the HEFCE became the principal regulator of those English higher education institutions (HEIs) that are exempt charities and the HEFCE was 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 was in addition to, and may have duplicated elements of, the HEFCE's own accountability oversight. In April 2018, HEFCE's regulatory role for exempt charities passed to the Office for Students (OfS). RCM, as a registered charity, continues to be regulated by the Charity Commission.

Schedule 3 to the Charities Act 2011 sets out categories of exempt charities. The Department for Digital, Culture, Media and Sport, which has legal and policy responsibility for charities, is considering whether to update Schedule 3 to amend the criteria for exempt status to reflect implementation of the Higher Education and Research Act 2017 (HERA). HERA will result in a greater number of charities being regulated by the OfS, and it is possible that the OfS could become principal regulator for those that are currently registered with the Charity Commission. Such changes will require consultation by the Department for Digital, Culture, Media and Sport and would not come into effect before 1 August 2019.

In 2016/17 we registered with the newly established Fundraising Regulator. Registration is on a voluntary basis and RCM is committed to adhering to the Regulator's "Code of Fundraising Practice".

## Public benefit

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

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

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

## Conclusion

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



Lord Black of Brentwood  
Chairman  
22 November 2018

## 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 RCM, who on examination may prove themselves worthy of such distinctions and evidences of attainment';
- 'the promotion and supervision of such musical instruction in schools and elsewhere, as may be thought most conducive to the cultivation and dissemination of the Art of Music in the United Kingdom'; and
- 'generally encouragement and promotion of the cultivation of music as an art throughout the world'.

#### Strategic Plan 2017-27

The RCM Council approved a new Strategic Plan in 2017, which looks ahead across an initial planning period of three years to 2020, when existing major projects are due for completion – these are 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 courtyard development in the Blomfield Building and occupation of Markova House, supported by the More Music campaign, encompassing fundraising for strategic priorities and projects including capital redevelopment, 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 collaborative projects in China to establish a joint institute with the Shanghai Conservatory and to establish training centres in Shenzhen and Shanghai; and
- developing digital initiatives, including establishing the [learn.rcm](http://learn.rcm) virtual learning environment and the Virtual Conservatoire in collaboration with other conservatoires.

The Strategic Plan also looks ahead ten years to 2027. This period is necessarily more speculative, in part because of the significant changes taking place in the world, not least the UK's planned departure from the EU. The Strategic Plan sets out our ten-year Vision for RCM to 2027 and the guiding objectives and principles for ongoing initiatives in the main areas of RCM's activity. 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 2018/19

The overall economic outlook continues to be uncertain. The referendum decision to leave the EU has presaged a period of political and economic uncertainty. Brexit has far-reaching implications for RCM, 187 of whose students and 74 staff are from the EU. RCM is determined to achieve a sustainable surplus and has set targets for income, savings and surplus as a

percentage of turnover. The targets for our previous Financial Sustainability Strategy were exceeded and new financial sustainability targets were approved by Council for the period to 2021. RCM's five-year financial forecasts were updated in May 2018, and these forecasts were tested using sensitivity analyses for a range of potential risks. Set against an uncertain economic background, acceptances to study at RCM in 2018 are as high as ever from international, EU and UK students.

In 2017/18 the Office for Students (OfS) came into being as the regulator for universities, a role previously held by HEFCE: The OfS's primary aim is to ensure that English higher education is delivering positive outcomes for students – past, present, and future. It will seek to ensure that students, from all backgrounds (particularly the most disadvantaged), can access, succeed in, and progress from higher education.

## Principal risks and uncertainties

RCM's risk management strategy and policy set 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. Risks are prioritised using a consistent scoring system<sup>1</sup>. The Register is subject to annual review by the RCM Directorate and is monitored and updated throughout the year with an annual report on risk management presented to all committees involved in managing risk, including the Council. The risk register was reviewed fully in October 2017 and again in February and May 2018. At 31 July were key risks currently scored red:

- failure to develop and deliver the More Music courtyard development to required quality and approved budget – scoring unchanged from last year; this risk will be adjusted as the project proceeds to reflect its risk profile as we move towards delivery of new spaces; and
- impact of Brexit puts recruitment of EU students at risk, reflecting continued uncertainty over Brexit.

Amber risks:

- RCM suffers debilitating cyber-attack/security breach. This is a new risk reflecting heightened risks in all organisations.
- impact of Brexit makes it harder to retain and recruit the most qualified staff;
- failure to achieve fundraising targets and timings in respect of the capital campaign. While the campaign target is challenging, progress is strong;
- failure to achieve overseas student number targets and/or change of UK visas and immigration policy;
- failure of trust in institution on part of RCM community and wider public; and
- construction activity during the More Music courtyard development causes unacceptable disruption to day-to-day learning, teaching and performance activities at RCM or Imperial College. We have received positive feedback during 2017/18.

The RCM Council reviews annually key performance indicators and these reflect guidance from the national Financial Sustainability Strategy Group which developed a basis for monitoring and reporting institutional sustainability through an annual sustainability report (ASSUR). This year the annual HEFCE assessment of institutional risk was that RCM is 'not at higher risk' on financial sustainability, good management and governance matters<sup>2</sup> (in future the risk assessment will be issued by the OfS).

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<sup>1</sup> RCM uses a simple three tier scoring system to denote the priority level of each of its strategic risks. These are: red (high priority); amber (medium priority); and green (low priority).

<sup>2</sup> In 2017/18, the HEFCE did not publish the quality and standards outcomes of the annual provider review.

## INSPIRATIONAL PROGRAMMES

### Enhancing learning and teaching

#### Developing a new programme in music education

In March 2018, RCM completed validation for its new Master of Education (MEd) programme. The first students were recruited in May for a September start. The MEd is an advanced taught degree programme with research elements that will develop students' vocational skills by building on their music educational experience. The programme is aimed at musicians already working in education, including: teachers; amateurs; creative leaders and facilitators; ensemble and choir directors and coaches; and professional performers, such as orchestral players whose work includes educational activities. It is a requirement that applicants have at least five years post-graduation professional educational work experience.

The programme is delivered part-time over two to four years and is designed to fit around a professional musician's portfolio of other commitments. Students will complete an independent research project based on their own experience and build a portfolio of practice to show evidence of their professional development. Contact time is structured around intensive study blocks, face-to-face classes and observational placements. This degree programme is the latest stage in the major enhancement of music education teaching across all RCM's programmes, a response to the rapidly changing music education environment in the UK and internationally. It is currently a unique initiative among UK conservatoires.

#### Research and Innovation

Major funded research projects which commenced in 2017/18 included:

- Arts and Humanities Research Council (AHRC) funded Research Network 'Excellence, Inclusion and Intervention in Music' project: commenced in September 2017. It will establish a global network of scholars and music educators who, through debate, dialogue and research practices, will critique the meaning of 'inclusive' and 'excellent' and set the future research agenda in the field of community music. The project is led jointly by RCM and the International Centre of Community Music at York St John University.
- AHRC funded HeARTS project (budget £1million): commencing in November 2017, this project is a joint venture between RCM and Imperial College London (ICL) that over three years will explore the impact of arts and culture on health and wellbeing across the UK, from individual, social, and economic perspectives.
- AHRC funded 'Music, Home and Heritage: Sounding the Domestic in Georgian Britain' project: commencing in January 2018 this project is a three-year research partnership between RCM and the University of Southampton.
- HEFCE funded MedTech SuperConnector project: MedTech was awarded £5million and from this RCM will receive £484,000. The project is led by ICL and includes 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. They will be 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 project runs for three years, commencing in May 2018.

In 2017/18 the AHRC funded Musical Impact project came to an end; a major investigation into the demands of making music with the aim of enhancing musicians' health and wellbeing project generated new knowledge of the physical and mental demands of making music, contributing insight into chronic and acute health problems and examining effective strategies for promoting health across educational and professional contexts. The project is a national initiative of Conservatoires UK which is led by RCM's Centre for Performance Science drawing on a network of musicians, scientists and health professionals.

## MUSICAL PERFORMANCE

### Bringing the notes to life

RCM's performance programme is integral to our learning and teaching, and for developing the skills and experience our students need for the professional life ahead of them. Our performance programme is world-leading in its breadth and depth, and the engagement and education it provides for students, supporters and the public. In 2017/18, RCM held 386 concerts and other musical events, all of which were open to the public. Tickets for 70% (271) of events were free.

#### Autumn 2017

In a highly rewarding and exciting autumn, the RCM orchestras performed at the Royal Festival Hall, led by Vladimir Ashkenazy, as part of the Philharmonia series *Voices of Revolution*. In November the RCM orchestra was joined in the Amaryllis Fleming Concert Hall by the RCM Chorus and the Choir of King's College, Cambridge, in a celebration of the life of Sir David Willcocks, RCM Director from 1974 to 1984. Technology featured in performances celebrating the 50<sup>th</sup> anniversary of the RCM studios, including a unique set of live performances at RCM and the Vienna Conservatoire. Visitors to RCM included Maxim Vengerov, Jordi Savall, Martyn Brabbins, Visiting Professor of Conducting, and Sir Thomas Allen. The autumn was rounded off with memorable performances of Janacek's opera *The Cunning Little Vixen*.

#### Spring 2018

We unveiled RCM's new Flentrop Organ, in the Amaryllis Fleming Concert Hall, with a series of concerts and events, beginning with a memorable performance of Strauss' *Alpine Symphony*, conducted by Bernard Haitink KBE. A celebratory all-day Organ Festival featured students in a wide range of repertoire, and was completed with a recital by RCM alumnus Thomas Trotter. The RCM Symphony Orchestra was joined by soloists from the Moscow Tchaikovsky Conservatory in an all-Stravinsky concert, and the RCM Chamber Choir performed *Les Noces* at the Royal Festival Hall, conducted by Vasily Petrenko – these two concerts being part of the London Philharmonic Orchestra's survey of Stravinsky's works. A continuing series of chamber concerts shed new light on the *Voices of Revolution* theme (which commenced in the autumn – see above), and there were many further performances and opportunities for learning and discovery in our second Chamber Week. RCM Opera ended the spring with a unique take on Benjamin Britten's opera *A Midsummer Night's Dream*, with a setting in Weimar Berlin of the 1920s.

#### Summer 2018

RCM's biennial project to create new operas written by RCM students and staged and performed by RCM Vocal and Opera returned with the theme Frankenstein, on the 200<sup>th</sup> anniversary of the publication of Mary Shelley's original novel. In a number of other celebrations, including the Festival of Percussion, Super String Sunday, RCM in Residence at Cadogan Hall and RCM Strings Showcase at Wigmore Hall, the talents of our students were displayed in many ways and on a number of platforms. We had visits from two of the world's greatest violinists, Maxim Vengerov and Pinchas Zukerman, and the RCM Chamber Choir joined with the Philharmonia to perform Schoenberg's *Gurrelieder* in London and Paris. We rounded off the summer season with a double bill of British opera – Peter Maxwell Davies' classic one act opera *The Lighthouse* alongside the critically acclaimed opera by Huw Watkins *In the Locked Room*, a fantastical story based on a work by Thomas Hardy.

## CELEBRATING SUCCESS

### Shining examples

In our endeavour to help exceptionally talented students achieve their full potential we treat each of them as a unique musician. We help each student develop a sense of direction and provide them with the means to transform their dreams into reality and a livelihood. Success at RCM takes many different forms, from a small improvement discerned in an aspect of technique to the light-bulb moment which catapults a performer to international recognition. Each RCM student has individual successes to report, some very personal, others more public. We celebrate them all and show below a small selection of student success in 2017/18.

#### Brass

Paul Mitchell (trumpet): shortlisted for the Semi Final of BBC Radio 2's Young Brass Award 2018

#### Composition

Shiva Feshareki: winner of the British Composer Award for Innovation in the 2017 British Composer Awards

Sarah Playford: awarded Best European Animation at the Premier Plans Festival for her score for *Barbecue*

Lara Poe and Joel Jarventausta: selected for the London Symphony Orchestra's Panufnik Composers Scheme

#### Keyboard

Michelle Candotti: Junior Jury Award winner in the International Franz Liszt Piano Competition

Daniel Evans: First Prize winner in the Campillos International Piano Competition and joint First Prize winner in the International Nice Côte d'Azur Piano Competition

Sten Heinoja and Irena Radić: First Prize and Second Prize winners, respectively, in the Kendall Taylor Beethoven Piano Competition

Kyoungsun Park: First Prize winner in the Japan Piano Open International Piano Competition 2017

Irena Radić: awarded the Finalist Prize in the Bromsgrove Competition

Stephanie Shucksmith, Prajna Indrawati and Alex Stobbs: First, Second and Third prize winners, respectively, in the Piano Section of the Joan Chissell Schumann Competition

Bradley Wood: awarded the Royal Over-Seas League Award for an Outstanding New Zealand Musician

#### Vocal

Glen Cunningham (tenor), Josephine Goddard (soprano) and Joel Williams (tenor): First, Second and Third Prize winners, respectively, in the Joan Chissell Schumann Competition for Vocalists

Josephine Goddard (soprano) and Catriona Hewitson (soprano): awarded Second Prize and Song Prize, respectively, at the Kathleen Ferrier Awards Competition final

Annabel Kennedy (mezzo soprano): Second Prize winner in the AESS Courtney Kenny Singing Competition

Kieran Raynor (baritone): winner of the Phillip Crashaw Memorial Prize for an Outstanding Musician from Overseas at the Royal Over-Seas League Competition

Joel Williams (tenor) and Kieran Rayner (baritone): Second Prize winner and Third Prize winner respectively in the Maureen Lehane Vocal Awards

## Strings

Emma Arizza (violin): selected as La Fondazione Società dei Concerti di Milano's Artist in Residence for the 2018/19 season

Emmanuel Bach (violin): winner of the Royal Over-Seas League Strings Final

Dillon Jeffares (violin): awarded Second Prize in the Leonid Kogan Violin Competition

The Marmen Quartet: winner of the Ensembles A Final at the Royal Over-Seas League Competition

## Woodwind

Sirius Kei Chau (flute): winner of the Eastbourne Symphony Orchestra Young Soloists Competition

Elliot Gresty (clarinet): awarded the Royal Over-Seas League Award for a Woodwind Player of Promise

Jonathan Radford (saxophone): winner of the Royal Over-Seas League Wind and Brass Section Final

Ensemble Solaire: awarded the Elias Fawcett Prize for Outstanding Ensemble in the Royal Over-Seas League Competition

Justin Sun (bassoon): winner of the Musicians' Company Maisie Lewis Award

## RCM in the press

The Spectator on the RCM International Opera School's production of *A Midsummer Night's Dream*

'The Royal College of Music give the pros at the ENO [English National Opera] a run for their money ... Steel's dark, mercurial fantasy is anchored by strong orchestral playing under conductor Michael Rosewell, and by a really outstanding cast. There's not a weak link to be heard...'

Mark Valencia (Bachtrack) on *A Midsummer Night's Dream*

'The Royal College of Music has fielded at least one, possibly two, outstanding casts for a production that the tireless Michael Rosewell is conducting ... On a musical level it is astonishingly accomplished, and the work feels completely at home in the intimate setting ... Musically one would be hard pressed to find a better matched set of Lovers than Lauren Joyanne Morris (Hermia), Josephine Goddard (Helena), Joel Williams (Lysander) and Kieran Rayner (Demetrius), nor a tighter orchestra than the youthful pit players whom Rosewell guided so impeccably through what can be a rocky score...'

George Longworth and ensemble in Benjamin Britten's *Midsummer Night's Dream*





## LEARNING FOR ALL

### Ensuring fair access

#### RCM Junior Department

RCM Junior Department (RCMJJD) offers advanced training at the highest level to young musicians aged eight to 18, providing individually-tailored programmes of one-to-one instrument, voice and composition, supported by chamber music, orchestra, choir and musicianship. Since its inception, RCMJD has evolved to meet the musical needs of students and adapted to a changing educational and musical landscape. Entrance to RCMJD is by audition and we are committed to ensuring successful applicants can attend RCMJD regardless of financial means; in 2017/18 more than £200,000 of bursary support was awarded to families with the most need.

RCMJJD students were involved in more than 100 concerts in 2017/18, performing at a range of prestigious venues including the Royal Albert Hall (RAH), Wigmore Hall and Cadogan Hall. Students also benefitted from working with professional musicians of the highest calibre, including RCM heads of faculty and RCM Quartet in Residence, the Harlem Quartet. Our creative partnership with the English National Ballet Youth Company continues to flourish, and this year RCMJD musicians recorded the soundtrack for a new work by RCMJD alumnus Thomas Hewett-Jones at Sadlers' Wells Theatre. Our highly successful chamber music programme offers all students opportunities to develop their ensemble skills to the highest level and many students are members of leading ensembles including the National Youth Orchestra, National Children's Orchestras and National Youth Choirs of Great Britain. Our students are also successful in national and international competitions, with five students reaching category finals of the BBC Young Musician of the Year competition.

Sparks Juniors is an exciting collaboration between RCM Sparks and RCMJD offering eight pupils a free three-year programme of high level tuition led by RCMJD staff and RCM student mentors. This year's new cohort saw the entry of four bassoon and cello players. Their programme includes instrumental lessons, training choir, musicianship and practical ensemble classes.

#### RCM Sparks

RCM Sparks is our ground-breaking learning and participation programme, providing opportunities for everyone to make or learn about music. Last year we ignited creativity in 3,200 local community members and trained 120 RCM students and graduates. Sparks workshops offer inspirational learning experiences for all, regardless of financial means, with free or subsidised places available for children (and their families) who are eligible for pupil premium, 'looked-after' children (and their families), children who live in social housing, families eligible for housing benefit and/or working or family tax credit, families/individuals eligible for disability benefit and service families. In 2017/18, 46% of attendees at workshops accessed free or subsidised places (23% in 2013/14) and 39% of attendees were non-white ethnicity.

RCM Sparks works closely with the Tri-Borough Music Hub as a strategic and delivery partner, bringing musical enrichment activities to schools and families in the London Boroughs of Westminster, Hammersmith & Fulham and Kensington & Chelsea. In 2017/18, we worked with more than 2,500 pupils from 35 different schools and the successful community access family programme Get, Set, Play rolled out to three new areas of the Tri-borough. Our free weekend programmes offer a welcoming, accessible, affordable and informal way for parents, grandparents or carers to learn music alongside their children and offers a pathway for a continuing musical journey. In 2017/18, we increased further the proportion of participants from under-represented and disadvantaged groups engaging with RCM, the RAH and Tri-Borough Music Hub. This helped to: bridge the gap and broker relationships with local families, community centres and the Music Hub; provide a foundation programme for children and families from disadvantaged neighbourhoods; facilitate entry for those who struggle to access extracurricular and recreational activities after school, at weekends and during holidays; and open doors to other RAH/RCM/Hub activities. One hundred and fifty family members used with this programme in 2017/18, with 50% from access families.

## EMPLOYABILITY

### Supporting talent and shaping futures

RCM is a world-leader in career development for musicians. We emphasise the need for students to be confident and versatile communicators, not just in their professional engagements, but in everything they do. The government's Higher Education Statistics Agency (HESA) survey of graduate employment (July 2018) shows an incredible 100% of RCM full-time graduates in employment or further study from our 2016-17 cohort.

RCM's renowned Creative Careers Centre (CCC) provides an unparalleled service. Recognised internationally for our innovative approach to supporting young musicians, we offer resources and guidance, bespoke career advice, workshops and presentations by industry specialists, plus a broad range of professional opportunities, including performances and teaching work. For many students, the CCC helps pave the way to a successful lifelong career in music. The CCC also leads on academic modules as part of our undergraduate and post-graduate degree programs, focusing on entrepreneurship, administration and business-skills training.

Our dedicated team partners with leading consultants, reputable arts organisations and local communities, delivering unique career-building opportunities and a direct route to the music industry. We enable musicians to discover their professional identity, gain hands-on experience and new skills, develop an entrepreneurial mind-set and build a fulfilling professional portfolio. The skills and resources of the CCC are available to all students and alumni for up to five years after graduation.

RCM graduates are highly employable and in the last five years, HESA surveys show that between 98% and 100% of RCM graduates were either in employment or further study six months after graduating, with RCM consistently ranked in the top five across all UK universities.

The CCC's services include weekly one-to-one CV, biography, marketing and careers sessions, student/graduate-aimed job bulletins, arts administration work placements/internships, and regular workshops and presentations led by industry specialists. It also offers advice on self-promotion, and access to a wide variety of professional contacts and online resources.

Concert opportunities are provided at more than 40 venues, including some of London's most prestigious concert halls, churches, galleries and museums, as well as retirement homes and hospitals. During the last academic year, RCM musicians performed at such notable venues as St Martin-in-the-Fields, Steinway Hall and the Royal Albert Hall's Elgar Room. The CCC continues to develop its strong partnership with the Royal Academy of Arts (RAA), supported by Dasha Shenkman and in the latest series, *In Tune With*, RCM and RAA co-created bespoke projects around exhibitions combining music and art.

The CCC also manages a thriving professional engagements service and 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 2017/18, nearly 600 different musicians gained opportunities through the professional portfolio development schemes, with more than 700 performances.

As an essential part of many musicians' careers, teaching is widely valued as a creative and worthwhile way to share your musical passion and expertise with a new generation. The CCC runs a popular teaching service that matches members of the public who wish to learn with RCM students and graduates who are able to teach. Every week we receive requests for private music teachers of all types and, last year, 190 individuals received tuition via the service.

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

## DEVELOPMENT AND ALUMNI ENGAGEMENT

Supporting access, excellence and opportunity

### More Music: Reimagining the Royal College of Music

The More Music Campaign was launched in February 2017 and by July 2018, £36million of our £40million target had been secured in cash and pledges. We thank Bob Wigley for his support as Campaign Chairman between 2012 and 2017. Bob played an instrumental role in helping us reach this milestone. We welcome new Campaign Chairman Geoff Richards, HonRCM. Geoff is a long-time supporter of RCM. A major element of More Music is the physical transformation of our campus with construction of cutting-edge facilities in which our student community can learn, perform and research music.

In 2017/18 we received many significant contributions towards the More Music Campaign. In particular, we wish to recognise Dr Michael and Ruth West HonRCM, Croucher Hong Kong Charitable Foundation, the Garfield Weston Foundation, the Colt Clavier Collection, G & K Boyes Charitable Trust, Ashley Family Foundation, Philip Carne MBE HonRCM and Christine Carne, the Harry and Gylla Godwin Charitable Trust, Sara Nelson Horner, the Linbury Trust, Victoria, Lady Robey OBE HonRCM, the Wolfson Foundation and work by our senior volunteers and loyal supporters who have helped make the initial stages of the campaign a success. We have much to achieve as we enter the critical public phase of our campaign and we call upon all our RCM friends and family of supporters to help raise the remaining £4million needed to realise our vision.

We were delighted to unveil our new concert hall organ in January 2018; custom-built by Flentrop Orgelbouw the instrument was designed with an emphasis on beauty of tone and voiced for the particular acoustic of the Amaryllis Fleming Concert Hall. The organ was generously supported by the Kingdom Music Education Group, and named in recognition of James Zheng Huang HonRCM.

### Our students – scholarships for talent

Since our foundation, RCM has awarded scholarships to enable gifted students to forge their creative careers at RCM and we are committed to our founding principles: that those with talent should have the opportunity to study at RCM regardless of their means. In 2017/18, more than £3million was given in scholarships and other awards to 60% of the student body. We plan to increase this to 75% over the next five years. No student should be denied an RCM education for want of funds and every gift to our Scholarships and Awards Fund transforms the lives of talented young musicians. We are immensely grateful to all individuals, organisations and charitable trusts who support generously our scholars. Particular thanks go to the Soirée d'Or Committee, a group of leadership volunteers led by Lady Carr, for their outstanding commitment to our annual Soirée d'Or fundraising gala at the Victoria and Albert Museum. The 2017 gala raised £220,000 for scholarships for our students.

### Our global community

Our global alumni community is central to all that we stand for and we are proud of all our graduates' achievements as they continue to influence all spheres of the music industry. Alumni are our greatest ambassadors, with more than 7,500 alumni living in 86 countries. We plan to extend and develop further our alumni programme and activities in the year ahead.

### Our future – ongoing support

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

## EQUALITY AND OPPORTUNITY

### Committed to fairness

Elite but not elitist, RCM pursues further access and engagement locally, nationally and internationally, opening up online resources to a worldwide audience, thus redefining membership of the RCM community. RCM now reflects the diversity of contemporary society in the UK and beyond and has integrated pre-tertiary provision and community engagement into RCM's programmes and ethos from age 4 up." (RCM Strategic Plan 2017 to 2027)

### Students

The first cohort of students successfully completed the new postgraduate module 'Women in Music', culminating in performances of works by female composers, including an RCM composition student, and linked to work by women artists at the Royal Academy of Arts.

Academic and principal study teaching staff continue to be pro-active in encouraging students to seek out diagnostic assessments via Student Services when they observe anomalous difficulties. Students have also reported being encouraged to seek help by friends with existing diagnoses, which suggests a more open environment about an issue previously felt to be stigmatising. This has translated into a 35% increase in the number of Learning Agreements for students with disabilities from the previous year. It is noteworthy that there was an increase of 33% in the number of candidates for audition declaring a disability compared to the previous year.

The Student Regulations and Code of Conduct have been revised to incorporate strengthened and clarified provisions regarding harassment and bullying issues across the protected characteristics.

### Staff

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

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

### Estate

RCM's hall of residence, Prince Consort Village is fully accessible, with nine rooms designed specifically 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; this is part of our More Music campus redevelopment which will see radical changes to the campus over the next few years and improve significantly step free access across our estate.

## SHARED SERVICES AND PROCUREMENT

### Obtaining value for money

Shared services and collaborations are an important part of RCM's operation as we seek to obtain value for money, 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 higher education institutions, to provide 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;
- Kingston City Group: universities' internal audit consortium owned by 11 members;
- London Universities Purchasing Consortium (LUPC): London-wide procurement consortium owned by higher education institutions, including RCM, and third sector organisations;
- 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;
- Invest to Save: focuses on reducing carbon emissions for Exhibition Road Cultural Group members;
- The Energy Consortium: a leader of collaborative energy procurement, particularly to universities and colleges; and
- Electronics Watch: RCM is affiliated to this independent monitoring organisation that aims to improve workers' conditions in global supply chains.

Strong procurement practices are important for achieving and delivering VfM solutions and in 2017/18 our procurement program continued to support this goal by providing:

- procurement advice: contract management, supplier engagement delivery strategies, solutions for confidential waste, software as a service, estates maintenance and travel;
- 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 produces an annual procurement report, which includes best practice indicators: 40% of non-pay spend was through collaborative arrangements (sector benchmark 25%); annual procurement savings were 4.5% of non-pay spend (benchmark 3.5%); spend on procurement as a percentage of non-pay spend was 0.3% (benchmark 0.9%); and net procurement savings were 4.2% of non-pay spend (benchmark 2.6%).

## CARING FOR THE ENVIRONMENT

### Making a difference

In 2013, RCM issued a Green Education Declaration in which it reaffirmed its commitment to a sustainable and low carbon future and our dedication to maximising a positive environmental, social and economic impact from our activities. 2017/18 was a watershed year for our estate as we successfully effected transition to the highest international benchmark in environmental management: ISO 14001:2015. In achieving ISO 14001:2015 we established key targets:

- minimise negative environmental impacts through sustainable procurement and reducing our carbon footprint across the organisation, by reducing paper use 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 RCM's environmental standards; and
- maintain an effective management system by ensuring our core objectives are a priority at governance level.

Having been accredited at ISO14001 for several years, our transition to ISO14001:2015 demonstrates that environmental issues are embedded in RCM's ethos and we are confident that our objectives are attainable. The achievements in 2017/18 didn't stop there as we also acquired our best DEC certificate to date with a rating of B, a testament to the efforts made on behalf of RCM to maximise efficiencies across our campus. A range of initiatives have enabled us to reach these targets including the following works undertaken last year:

- continued delivery of a campus wide LED replacement programme;
- purchasing 100% of electricity from renewable generation;
- introduction of new mixed waste recycling bins;
- drive towards sustainable catering operations including the introduction of reusable mugs and compostable straws;
- continued to support the Fairtrade Foundation - our catering outlets sold more than 8,000 Fairtrade items last year;
- affiliation of Electronic Watch through our membership with LUPC;
- rolling out a programme to fit thermostatic radiator valves across campus;
- completing a review of the building management system and upgrading our software and hardware to improve efficiencies; and
- working with Gilbert-Ash, the construction firm developing the courtyard under the Considerate Contractor's Scheme to achieve a BREEAM rating of Very Good for our More Music redevelopment and to encourage sustainable practices such as recycling demolished brickwork for reuse on site.

## ESTATES

### Providing fitting surroundings for gifted musicians

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

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

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

- construction commenced in June 2017 on the More Music courtyard development and is progressing well;
- Markova House is scheduled for handover to RCM in spring 2019 and will provide additional accommodation for teaching, research, practice, rehearsal and offices. It will also house our fit-to-perform initiative;
- Prince Consort Village continues to provide 417 student bedrooms and 23 music practice rooms;
- in October 2017 the Amaryllis Fleming Concert Hall organ installation was completed;
- an intensive maintenance programme was rolled out during summer 2017, including refurbishment of our main boiler plant and re-purposing the South Building lift, which may now be used as a passenger lift;
- the Student Union was reconfigured in August 2017 to offer a larger area for events and provide an improved social space for students;
- eight Amadeus music practice pods were installed in the Blomfield building in August 2017; and
- the final element of the South Building refurbishment programme is scheduled for 2020 and will include a new archive and research centre.

# RCM FINANCIAL STATEMENTS

2017/18



## CORPORATE GOVERNANCE & RESPONSIBILITIES OF COUNCIL

### Good governance

#### Committee of University Chairs (CUC) Governance Code of Practice

RCM is compliant with the CUC Governance Code. In December 2014 the Clerk to the Council benchmarked RCM practice against each provision of the code and this was reported to Council, Audit Committee and Finance and General Purposes Committee. Council and its committees undertook effectiveness reviews and outcomes were reported to Council in March 2015. There were no areas of non-compliance and the Clerk produced an action plan, with all actions completed in 2015/16, as reported to Council in July 2016. There were no areas of non-compliance in the year.

#### Statement of primary responsibilities

The Council is responsible for:

- approving RCM's mission and strategic vision, long-term business plans, key performance indicators 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 establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest; and
- monitoring institutional performance against plans and approved KPIs, which are, where possible and appropriate, benchmarked against other institutions.

#### Structure of corporate governance

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

The Council is responsible for interactions between RCM and the OfS, and its designated bodies, and for ensuring RCM's compliance with all OfS's conditions of registration and accounts direction. The Council has nominated the RCM Director as the accountable officer who has the responsibilities set out by the OfS 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. 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. A **Courtyard Project Board** has been established to oversee the courtyard redevelopment building project, with a mix of Council, Directorate and expert membership.

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

The **Remuneration Committee** sets salaries and terms and conditions of the RCM Director and other senior staff. Its constitution and terms of reference are in-line with the CUC Higher Education Staff Remuneration Code and the Committee produces an annual report for the RCM Council on remuneration of the Director and other senior staff (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.

## Basis of financial statements

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

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

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

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

## Accounting records

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

## Internal control and risk management

The Council has responsibility for maintaining a sound system of internal control that supports achievement of policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Council in the Charter and Statutes and the OfS terms and conditions of funding for higher education institutions. The system of internal control is designed to manage rather than eliminate risk of failure to achieve policies, aims and objectives; therefore, it provides only reasonable and not absolute assurance of effectiveness. The internal control system is based on an on-going process designed to identify risks that might hinder realisation of our policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place during the year ended 31 July 2018 and up to the date of approval of the financial statements,

and accords with OfS guidance. The Council has responsibility for reviewing the effectiveness of the internal control systems and the following processes have been established:

- the Council meets at least four times per annum and considers RCM's plans and strategic direction;
- the Council receives minutes of each Audit Committee meeting, together with an annual report which provides an opinion as to RCM's arrangements for risk management, internal control, governance, data quality and value for money;
- the Council receives regular reports from the Directorate on steps it is taking to manage risks, including progress reports on key projects;
- the F&GPC is responsible for oversight of risk management and the Audit Committee for keeping under review the effectiveness of risk management, control and governance arrangements;
- a system of key performance indicators has been developed and agreed; these are used to consider performance and make an overall assessment of institutional sustainability;
- a risk prioritisation methodology based on risk ranking has been established;
- an RCM-wide risk register is maintained and this is reviewed regularly by the Directorate, in order to identify and update the record of risks facing RCM;
- training for managers with responsibility for areas involving high-level risk includes attendance at relevant workshops;
- an annual review conducted by the Directorate is presented in writing to the F&GPC for discussion, and reported to the Council; and
- RCM receives an annual OfS assessment of institutional risk. Along with most higher education institutions we were judged 'not at higher risk'.

The review of effectiveness of the internal control system is informed by reports from internal auditors, who operate to standards defined in the OfS Audit Code of Practice<sup>3</sup>. The internal auditors submit regular reports, which include their opinion on the adequacy and effectiveness of the system of internal control, with recommendations for improvement. The Council's review of effectiveness of the internal control system is also informed by the work of the Directorate, who are responsible for developing and maintaining the internal control framework, and by comments from the external auditors in their various reports.

## Equality and opportunities

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

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

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



Lord Black of Brentwood

**Chairman**

22 November 2018



Professor Colin Lawson CBE FRCM

**Director**

22 November 2018

<sup>3</sup> HEFCE Audit Code of Practice until 31 March 2018.

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

## Opinion

We have audited the financial statements of the Royal College of Music ("RCM") and its subsidiaries ("the Group") for the year ended 31 July 2018 which comprise the consolidated and RCM statement of comprehensive income, consolidated and RCM statements of changes in reserves, the balance sheets for the group and RCM, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation, applicable law and UK Accounting Standards, including Financial Reporting Standard 102 the financial reporting standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice). In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of RCM's affairs as at 31 July 2018 and of RCM's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been prepared properly in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared properly in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, the Charities Act 2011 and other relevant legislation.

## Basis for opinion

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

## Conclusions relating to going concern

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

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

## Other information

The RCM Council is responsible for the other information, which comprises information included in the annual review, other than the financial statements and our auditor's report therein. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

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

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

In our opinion, in all material respects:

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

### Matters on which we are required to report by exception

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

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

### Responsibilities of the Council

As explained more fully in the Council members' responsibilities statement set out on page 20, the RCM Council is responsible for preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the RCM Council is responsible for assessing the Group and RCM's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the RCM Council either intend to liquidate the Group or RCM or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

### Use of our report

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



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

23 November 2018

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

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2018

## 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 2018. 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 the financial statements of RCM, advantage has been taken of the following disclosure exemptions available in FRS 102:

- no cash flow statement has been presented for RCM; and
- no 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 have 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 have taken into consideration factors including economic viability and expected future financial performance of assets; and
- in determining the estimate of the RCM Pension & Assurance defined benefit scheme obligation Council have reviewed the critical underlying assumptions (see note 27). Council also reviewed the critical assumptions used to estimate the present value of RCM's obligation in respect of the funding deficit plan for the USS pension scheme (see note 27).

## 5. Income recognition

Fee income is stated gross of expenditure which is not a discount and credited to the consolidated statement of comprehensive income over the period in which students are studying. Where a tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Investment income is credited to the statement of comprehensive income and expenditure on a receivable basis. Funds 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 the functional currency of RCM at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised, in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

## 10. Fixed assets

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

### Land and buildings

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

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

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

RCM owns freehold land in Ravenscourt Park and entered into an agreement with Campus Living Villages (CLV) for development and operation of its hall of residence, Prince Consort Village (PCV) which opened in March 2016. RCM granted a 51-year lease and in return received a lease premium of £15.6million, which is being amortised over the period of the lease; the lease will be returned to RCM after

51 years on payment of a nominal fee (£1). CLV's 51 year program incorporated construction followed by a 50 year operating program. The build cost of PCV was £24.1 million and, in order, to fund construction and provide the RCM lease premium, CLV contracted with

M&G for an income strip, which will be repaid over 51 years. If CLV default on the repayments, there is no liability on RCM to repay this debt to M&G. Each year RCM nominates bedrooms for students in the range of zero to 417 and the only liability which could fall on RCM is any rental shortfall on its nominated rooms in each year. In this arrangement there are no payments which meet the definition of 'minimum lease payments' therefore no such amount has been included on the balance sheet. As such RCM has treated this as a property transaction, whereby RCM disposed of a building and entered into a series of lease transactions, part of the consideration for which is preferential nomination rights. The value of these rights cannot be measured reliably and so they are held at nil value in the balance sheet.

### Musical instruments

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

### Furniture and equipment

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

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

### Investments

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

### Financial assets

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

## 11. Finance costs and financial liabilities

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

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

## 12. Heritage assets

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

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

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

The Portraits and Performance History Collection (PPHC) is a collection of photographs, art, printed items and manuscripts dating from c1620 to present day and is available for viewing to members of RCM, visiting researchers and members of the public. Portraits and other works of art are stated at valuation in the financial statements and are not depreciated. There is no reason to believe that there has been any impairment in the value of these assets. A majority of these works were donated to RCM, though occasional purchases have been made over the years. No overall valuation has been made of the collection, though many works of art were valued in 2005 and are included in the financial statements. Given the importance, size and uniqueness of the collection, it is not practicable to undertake 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 2018

	Note	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
<b>Income</b>					
Tuition fees	1	12,697,056	12,697,056	11,991,355	11,991,355
Funding body grants	2	5,988,084	5,988,084	5,880,958	5,880,958
Research grants and contracts	3	433,404	433,404	914,849	914,849
Other income	4	2,179,625	2,179,625	2,061,571	2,061,571
Investment income	5	2,403,959	2,342,313	2,039,617	1,945,596
<b>Total income before endowments and donations</b>		<b>23,702,128</b>	<b>23,640,482</b>	22,888,350	22,794,329
Donations and endowments	6	6,248,658	6,248,658	3,996,684	3,996,684
Courtyard redevelopment donations	6	4,963,526	4,963,526	9,045,994	9,045,994
<b>Total income</b>		<b>34,914,312</b>	<b>34,852,666</b>	35,931,028	35,837,007
<b>Expenditure</b>					
Staff	7	13,581,366	13,581,366	13,283,633	13,283,633
Other operating expenses	8	9,260,236	9,257,421	10,268,331	10,266,274
Depreciation	10	1,367,405	1,367,405	1,367,393	1,367,393
Interest and other finance costs	9	274,484	274,484	228,129	228,129
<b>Total expenditure</b>		<b>24,483,491</b>	<b>24,480,676</b>	25,147,486	25,145,429
<b>Surplus before gains and share of operating surplus of associates</b>		<b>10,430,821</b>	<b>10,371,990</b>	10,783,542	10,691,578
Gain on disposal of tangible fixed assets		32,843	32,843	7,732	7,732
Gain on disposal of investments		1,822,066	1,822,066	970,792	970,792
Change in fair value of investments		441,399	441,399	(276,562)	(276,562)
Share of operating deficit in associate	20	-	-	(186,200)	-
<b>Surplus for the year</b>		<b>12,727,129</b>	<b>12,668,298</b>	11,299,304	11,393,540
Actuarial gain/(loss) in respect of pension schemes	27	929,000	929,000	(13,000)	(13,000)
<b>Total comprehensive income for the year</b>		<b>13,656,129</b>	<b>13,597,298</b>	11,286,304	11,380,540
Represented by:					
Restricted endowment comprehensive income for the year		4,876,150	4,817,319	1,401,987	1,496,223
Restricted comprehensive income for the year	21	4,806,544	4,806,544	8,217,513	8,217,513
Unrestricted comprehensive income for the year		3,926,539	3,926,539	2,434,121	2,434,121
Revaluation reserve comprehensive income for the year	23	46,896	46,896	(767,317)	(767,317)
		<b>13,656,129</b>	<b>13,597,298</b>	11,286,304	11,380,540

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

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

Courtyard redevelopment income consists of donations received specifically for the More Music campaign and is restricted in its use.

Share of operating deficit in associate relates to Prince Consort Village. As RCM is not liable for any losses from PCV, it does not have to show a share of these in the financial statements. The entry in 2016/17 reverses the entry in the previous year.

## Consolidated and RCM statement of changes in reserves

### Year ended 31 July 2018

	Income and expenditure account			Revaluation reserve	Total reserves
	Endowment	Restricted	Unrestricted		
	£	£	£	£	£
<b>Consolidated</b>					
<b>Balance at 1 August 2016</b>	<b>36,514,391</b>	<b>559,452</b>	<b>23,214,285</b>	<b>14,206,340</b>	<b>74,494,469</b>
Surplus from the income and expenditure statement	1,401,987	8,217,513	1,679,804	-	11,299,304
Other comprehensive income	-	-	(13,000)	-	(13,000)
Transfers between revaluation and income and expenditure reserve	-	-	767,317	(767,317)	-
Release of restricted funds spent in year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>1,401,987</b>	<b>8,217,513</b>	<b>2,434,121</b>	<b>(767,317)</b>	<b>11,286,304</b>
<b>Balance at 1 August 2017</b>	<b>37,916,379</b>	<b>8,776,965</b>	<b>25,648,406</b>	<b>13,439,023</b>	<b>85,780,773</b>
Surplus from the income and expenditure statement	4,876,150	4,806,544	3,044,435	-	12,727,129
Other comprehensive income	-	-	929,000	-	929,000
Transfers between revaluation and income and expenditure reserve	-	-	(46,896)	46,896	-
<b>Total comprehensive income for the year</b>	<b>4,876,150</b>	<b>4,806,544</b>	<b>3,926,539</b>	<b>46,896</b>	<b>13,656,129</b>
<b>Balance at 31 July 2018</b>	<b>42,792,529</b>	<b>13,583,509</b>	<b>29,574,945</b>	<b>13,485,919</b>	<b>99,436,902</b>
<b>Royal College of Music</b>					
<b>Balance at 1 August 2016</b>	<b>36,153,019</b>	<b>559,452</b>	<b>23,214,285</b>	<b>14,206,340</b>	<b>74,133,096</b>
Surplus from the income and expenditure statement	1,496,223	8,217,513	1,679,804	-	11,393,540
Other comprehensive income	-	-	(13,000)	-	(13,000)
Transfers between revaluation and income and expenditure reserve	-	-	767,317	(767,317)	-
<b>Total comprehensive income for the year</b>	<b>1,496,223</b>	<b>8,217,513</b>	<b>2,434,121</b>	<b>(767,317)</b>	<b>11,380,540</b>
<b>Balance at 1 August 2017</b>	<b>37,649,242</b>	<b>8,776,965</b>	<b>25,648,406</b>	<b>13,439,023</b>	<b>85,513,636</b>
Surplus from the income and expenditure statement	4,817,319	4,806,544	3,044,435	-	12,668,298
Other comprehensive income	-	-	929,000	-	929,000
Transfers between revaluation and income and expenditure reserve	-	-	(46,896)	46,896	-
<b>Total comprehensive income for the year</b>	<b>4,817,319</b>	<b>4,806,544</b>	<b>3,926,539</b>	<b>46,896</b>	<b>13,597,298</b>
<b>Balance at 31 July 2018</b>	<b>42,466,561</b>	<b>13,583,509</b>	<b>29,574,945</b>	<b>13,485,919</b>	<b>99,110,934</b>

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

Restricted reserves includes £13.0 million of donations received specifically for the More Music campaign: courtyard redevelopment.

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

## Consolidated and RCM balance sheet Year ended 31 July 2018

	Note	As at 31 July 2018		As at 31 July 2017	
		Consolidated £	RCM £	Consolidated £	RCM £
<b>Non-current assets</b>				Restated	Restated
Fixed assets	10	35,761,324	35,761,324	27,301,975	27,301,975
Heritage assets	10,11	5,422,415	5,422,415	5,416,415	5,416,415
Investments	12	50,490,910	48,780,048	57,242,806	55,531,944
Investment in subsidiary company	13	-	1,710,862	-	1,710,862
		<u>91,674,649</u>	<u>91,674,649</u>	<u>89,961,196</u>	<u>89,961,196</u>
<b>Current assets</b>					
Trade and other receivables	14	5,602,777	5,603,426	5,295,741	5,033,088
Investments	15	21,000,000	21,000,000	10,000,000	10,000,000
Cash and cash equivalents		8,875,480	8,546,397	10,379,365	10,374,852
		<u>35,478,257</u>	<u>35,149,823</u>	<u>25,675,106</u>	<u>25,407,940</u>
Less: Creditors: amounts falling due within one year	17	<u>(3,919,758)</u>	<u>(3,917,291)</u>	<u>(3,961,961)</u>	<u>(3,961,931)</u>
<b>Net current assets</b>		<u>31,558,499</u>	<u>31,232,532</u>	<u>21,713,145</u>	<u>21,446,009</u>
<b>Total assets less current liabilities</b>		<u>123,233,148</u>	<u>122,907,181</u>	<u>111,674,341</u>	<u>111,407,205</u>
Creditors: amounts falling due after more than one year	18	(19,725,890)	(19,725,890)	(20,362,600)	(20,362,600)
<b>Provisions</b>					
Pension provisions	19	<u>(4,070,356)</u>	<u>(4,070,356)</u>	<u>(5,530,969)</u>	<u>(5,530,969)</u>
<b>Total net assets</b>		<u>99,436,902</u>	<u>99,110,935</u>	<u>85,780,772</u>	<u>85,513,636</u>
<b>Restricted reserves</b>					
Income and expenditure reserve - endowment reserve	20	42,792,529	42,466,562	37,916,378	37,649,242
Income and expenditure reserve - restricted reserve	21	13,583,509	13,583,509	8,776,965	8,776,965
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		29,574,945	29,574,945	25,648,406	25,648,406
Revaluation reserve	23	<u>13,485,919</u>	<u>13,485,919</u>	<u>13,439,023</u>	<u>13,439,023</u>
		<u>99,436,902</u>	<u>99,110,935</u>	<u>85,780,772</u>	<u>85,513,636</u>
<b>Total reserves</b>		<u>99,436,902</u>	<u>99,110,935</u>	<u>85,780,772</u>	<u>85,513,636</u>

The financial statements were approved and authorised for issue by the Governing Body on 22 November 2018 and were signed on its behalf on that date by:

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

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

## Consolidated cash flow

### Year ended 31 July 2018

	Note	Year ended 31 July 2018 £	Year ended 31 July 2017 £
<b>Cash flow from operating activities</b>			
Surplus for the year		13,656,129	11,286,304
<b>Adjustment for non-cash items</b>			
Depreciation	10	1,367,405	1,367,393
Gain on disposal of fixed asset investments		(1,822,066)	(970,792)
(Loss)/gain on investments		(441,399)	276,562
Decrease/(increase) in debtors	14	(307,036)	(454,236)
Increase/(decrease) in creditors		147,727	(4,752,307)
Decrease in pension provision	19	(1,460,613)	(264,091)
Receipt of donated equipment		(6,000)	(20,000)
Share of operating surplus in associate		-	186,200
Amortised lease income		(304,911)	(304,911)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(2,403,959)	(2,039,617)
Interest payable	9	78,257	87,036
Endowment income	6	(2,468,232)	(513,397)
Profit on the sale of fixed assets		(32,843)	(7,732)
Capital grant income		(358,979)	(364,974)
<b>Net cash inflow from operating activities</b>		<b><u>5,643,480</u></b>	<b><u>3,511,438</u></b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		32,843	20,110
Disposal of non-current asset investments		19,261,407	9,094,851
Investment income	5	2,403,959	2,039,617
Payments made to acquire fixed assets		(9,826,754)	(4,970,881)
New non-current asset investments		(10,246,045)	(9,596,774)
New deposits		(11,000,000)	(1,000,000)
		<b><u>(9,374,590)</u></b>	<b><u>(4,413,077)</u></b>
<b>Cash flows from financing activities</b>			
Interest paid	9	(78,257)	(87,036)
Endowment cash received		2,468,232	513,397
Repayments of amounts borrowed		(162,750)	(250,250)
		<b><u>2,227,225</u></b>	<b><u>176,111</u></b>
<b>Decrease in cash and cash equivalents in the year</b>		<b><u>(1,503,885)</u></b>	<b><u>(725,528)</u></b>
Cash and cash equivalents at beginning of the year		10,379,365	11,104,893
Cash and cash equivalents at end of the year		8,875,480	10,379,365

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

## Notes to the accounts for the year ended 31 July 2018

	Note	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
<b>1 Tuition fees</b>					
Full-time UG home and EU		2,983,874	2,983,874	2,863,186	2,863,186
Full-time PG home and EU		2,377,267	2,377,267	2,128,937	2,128,937
Part-time home and EU		165,040	165,040	192,792	192,792
Non-EU		5,271,802	5,271,802	4,676,639	4,676,639
Other		1,899,073	1,899,073	2,129,801	2,129,801
		<b>12,697,056</b>	<b>12,697,056</b>	11,991,355	11,991,355
<b>2 Funding body grants</b>					
Recurrent grant					
Teaching		4,605,045	4,605,045	4,625,019	4,625,019
Research		428,584	428,584	457,918	457,918
HEIF		340,979	340,979	222,927	222,927
Specific grants					
Staff related inherited liabilities		16,998	16,998	21,172	21,172
Other grants		476,190	476,190	428,746	428,746
Capital grants released in the year		120,288	120,288	125,176	125,176
		<b>5,988,084</b>	<b>5,988,084</b>	5,880,958	5,880,958
<b>3 Research grants and contracts</b>					
BIS research councils		208,392	208,392	691,245	691,245
UK-based charities		38,563	38,563	54,220	54,220
Government (UK and overseas)		3,415	3,415	29,330	29,330
Other		183,034	183,034	140,054	140,054
		<b>433,404</b>	<b>433,404</b>	914,849	914,849
<b>4 Other income</b>					
Residences, catering and conferences		385,713	385,713	379,378	379,378
Other capital grants		238,691	238,691	239,798	239,798
Other services rendered		455,804	455,804	470,316	470,316
Lease premium - Prince Consort Village		304,911	304,911	304,911	304,911
Other income		794,506	794,506	667,168	667,168
		<b>2,179,625</b>	<b>2,179,625</b>	2,061,571	2,061,571
<b>5 Investment income</b>					
Investment income on endowment assets - unrestricted		389,886	389,886	512,000	512,000
Investment income on endowment assets - restricted		1,872,305	1,810,659	1,300,671	1,300,671
Other interest receivable		141,768	141,768	226,946	132,925
		<b>2,403,959</b>	<b>2,342,313</b>	2,039,617	1,945,596
<b>6 Donations and endowments</b>					
New endowments with restrictions	20	2,468,232	2,468,232	513,397	513,397
Restricted donations		2,000,141	2,000,141	1,617,861	1,617,861
Unrestricted donations - ABRSM		1,675,000	1,675,000	1,560,000	1,560,000
Unrestricted donations - Other		105,285	105,285	305,426	305,426
		<b>6,248,658</b>	<b>6,248,658</b>	3,996,684	3,996,684
Courtyard redevelopment donations		4,963,526	4,963,526	9,045,994	9,045,994
		<b>11,212,184</b>	<b>11,212,184</b>	13,042,678	13,042,678

## Notes to the accounts for the year ended 31 July 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
<b>7 Staff costs</b>				
Salaries	11,459,812	11,459,812	11,029,716	11,029,716
Social security costs	1,055,899	1,055,899	986,750	986,750
Movement on USS provision and related finance charge	(358,532)	(358,532)	(113,833)	(113,833)
Other pension costs	1,424,187	1,424,187	1,381,000	1,381,000
	<b>13,581,366</b>	<b>13,581,366</b>	13,283,633	13,283,633

	Year ended 31 July 2018	Year ended 31 July 2017
	£	£
Emoluments of the Director		
Basic salary	212,000	206,000
Payment in lieu of pension	32,436	31,518
Benefits in kind	1,479	1,409
Emoluments excluding pension contributions	<b>245,915</b>	238,927
Pension contributions*	4,452	4,326
Emoluments including pension contributions	<b>250,367</b>	243,253

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

The RCM Director's contract of employment is conditional upon his occupation of the designated Director's residence, for the better performance of his duties. This accommodation is owned by RCM which pays for council tax, insurance, maintenance and repairs. The estimated rental value of is £39,000 per annum. There are no other benefits (taxable or non-taxable) received by the Director other than those disclosed above.

In determining the Director's pay for 2018/19, the Remuneration Committee took into account the context in which RCM operates and the value and performance delivered by the Director. The process adopted for judging his performance involved data and discussion about contextual information:

- national negotiations on the annual cost of living award 2018/19 and incremental increases for staff and the increases recommended for members of the Directorate;
- pay in the wider economy, general background and current context across higher education;
- benchmarking information on vice-chancellor pay, specifically for a range of direct competitor institutions and institutions of similar size and standing;
- comparison data in respect of multiples of remuneration for the Director and relevant medians/means; and
- gender pay gap at RCM.

In determining the Director's pay, the Remuneration Committee also considered a report on institutional performance within the year and discussed the Director's personal contribution to this performance. The report on institutional and his personal performance took into account the operating environment for RCM, on which members were informed through information they receive throughout the year as Council members, including but not limited to the financial position of and prospects for RCM, reports on KPIs (such as the National Student Survey and financial KPIs, including benchmarking information), reports on quality assurance and student recruitment, research and artistic performance, RCM's international activities, fundraising and communications achievements, and reports on achievement against priorities in the RCM Strategic Plan. The Remuneration Committee considered not only the Director's performance in 2017/18, but also his and RCM's performance across a number of years in post.

### Ratio of Director's remuneration and that of other employees

	Median salary	Head of Institution*	Head of Institution**
31 March 2017	£44,278	4.7:1	6.3:1
31 March 2018	£37,365	5.7:1	7.6:1

\* Excludes pay in lieu of pension contribution

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

# Notes to the accounts for the year ended 31 July 2018

## 7 Staff costs (continued)

	2018	2017
Emoluments of senior staff excluding Director	<b>Headcount</b>	Headcount
£100,000 - £104,999	-	1
£105,000 - £109,999	1	-
£135,000 - £139,999	-	2
£140,000 - £144,999	1	-
£150,000 - £154,999	1	-
	<u>3</u>	<u>3</u>
Average staff numbers by major category :	<b>FTE</b>	FTE
Academic departments	125	101
Academic services	57	58
Administration and central services	84	90
	<u>266</u>	<u>249</u>
	<b>£</b>	£
Compensation for loss of office payable to a senior post-holder:	-	-

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the RCM. This comprises members of Council and the executive directors. There was no compensation, for loss of office, paid to key management personnel during the year. The total remuneration, including employer pension contributions, of the RCM's seven executive directors included in 2017/18 for key management personnel was £1,025,040 (2016/17: £992,321).

### 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, included those listed below, 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 other Council member received any remuneration or waived payments during the year or the previous year.

During the year, the RCM received services, from Florilegium (chamber music ensemble) valued at £3,000 (2016/17: £6,000). Professor Ashley Solomon is the Director of Florilegium and an elected member of the RCM Council and employed as the Head of Historical Performance at the RCM.



## Notes to the accounts for the year ended 31 July 2018

	Note	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
<b>8 Other operating expenses</b>					
Academic and related expenditure		699,957	699,957	681,424	681,424
Research related expenditure		42,432	42,432	269,788	269,788
Residences, catering and conferences		409,134	409,134	395,981	395,981
Learning resources		481,535	481,535	425,307	425,307
Scholarship and awards		3,088,312	3,088,312	2,999,378	2,999,378
Grant to RCM Students' Union		36,376	36,376	35,739	35,739
Professional fees		409,489	409,489	525,500	525,500
Premises		1,902,533	1,902,533	1,672,489	1,672,489
Courtyard business as usual costs		144,882	144,882	828,481	828,481
Other expenses		2,045,586	2,042,771	2,434,244	2,432,187
		<b>9,260,236</b>	<b>9,257,421</b>	<b>10,268,331</b>	<b>10,266,274</b>
Other operating expenses include:					
External auditors' remuneration in respect of audit services		35,814	35,814	34,992	34,992
External auditors' remuneration in respect of audit related services		5,148	5,148	4,512	4,512
External auditors' remuneration in respect of non-audit services		6,958	5,796	9,441	8,279
Internal auditors' remuneration - internal audits		35,581	35,581	36,638	36,638
Operating lease rentals					
Land and buildings		140,295	140,295	57,915	57,915
Other		59,162	59,162	71,283	71,283
Operating lease rentals for land and buildings include a full year's rent in 2017/18 and six months in 2016/17 for Jay Mews.					
<b>9 Interest and other finance costs</b>					
Loan interest		78,257	78,257	87,319	87,319
Loan commitment fee		34,156	34,156	-	-
Exchange differences		12,152	12,152	(9,932)	(9,932)
Net finance charge on pension schemes					
USS		59,919	59,919	61,742	61,742
RCM pension scheme		90,000	90,000	89,000	89,000
		<b>274,484</b>	<b>274,484</b>	<b>228,129</b>	<b>228,129</b>

**Notes to the accounts  
for the year ended 31 July 2018**

	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
	£	£	£	£	£	£	£	£
<b>10 Fixed Assets: consolidated and RCM</b>								
<b>Cost or valuation</b>								
At 1 August 2017	1,708,781	24,448,443	7,896,041	4,078,440	6,702,555	5,416,415	50,250,674	44,834,259
Additions	-	153,959	242,332	-	9,430,463	6,000	9,832,754	9,826,754
Transfers	-	-	1,333,811	-	(1,333,811)	-	-	-
Disposals	-	-	(122,966)	-	-	-	(122,966)	(122,966)
<b>At 31 July 2018</b>	<b>1,708,781</b>	<b>24,602,402</b>	<b>9,349,218</b>	<b>4,078,440</b>	<b>14,799,207</b>	<b>5,422,415</b>	<b>59,960,462</b>	<b>54,538,047</b>
<b>Depreciation</b>								
At 1 August 2017	71,693	8,470,082	5,522,084	3,468,429	-	-	17,532,284	17,532,284
Charge for the year	2,847	839,257	297,919	227,382	-	-	1,367,405	1,367,405
Disposals	-	-	(122,966)	-	-	-	(122,966)	(122,966)
<b>At 31 July 2018</b>	<b>74,540</b>	<b>9,309,339</b>	<b>5,697,037</b>	<b>3,695,811</b>	<b>-</b>	<b>-</b>	<b>18,776,723</b>	<b>18,776,723</b>
<b>Net book value</b>								
<b>At 31 July 2018</b>	<b>1,634,241</b>	<b>15,293,063</b>	<b>3,652,181</b>	<b>382,629</b>	<b>14,799,207</b>	<b>5,422,415</b>	<b>41,183,739</b>	<b>35,761,324</b>
At 1 August 2017	1,637,088	15,978,361	2,373,957	610,011	6,702,555	5,416,415	32,718,390	27,301,975

The additions to leasehold land and buildings relate to the South Building and the assets in the course of construction relate to the Courtyard project.

The transfer in the year was the Concert Hall Organ.

	2018	2017	2016	2015	2014
	£	£	£	£	£
<b>11 Heritage assets: consolidated and RCM</b>					
<b>Purchases</b>					
Instruments	6,000	-	-	-	-
Donations	-	-	-	-	10,000
Busts and portraits	-	20,000	-	14,880	53,585
<b>Total acquisitions capitalised</b>	<b>6,000</b>	<b>20,000</b>	<b>-</b>	<b>14,880</b>	<b>63,585</b>

## Notes to the accounts for the year ended 31 July 2018

	Share of profits of associated undertakings	Loan to associate	Other fixed asset investments	Total
	£	£	£	£
<b>12 Non-current investments: consolidated</b>				
<b>At 1 August 2017</b>	-	1,710,862	55,531,944	<b>57,242,806</b>
Acquisition of shares - less movement in cash held by fund managers	-	-	10,246,044	<b>10,246,044</b>
Share of deficit	-	-	-	-
Cost of disposals	-	-	(17,439,335)	<b>(17,439,335)</b>
Change in market value	-	-	441,395	<b>441,395</b>
<b>At 31 July 2018</b>	-	<b>1,710,862</b>	<b>48,780,048</b>	<b>50,490,910</b>

	£	£
<b>Non-current investments: RCM</b>		
<b>At 1 August 2017</b>		55,531,944
Acquisition of shares - less movement in cash held by fund managers		10,246,044
Cost of disposals		(17,439,335)
Change in market value		441,395
<b>At 31 July 2018</b>		<b>48,780,048</b>

	£	£
<b>Non-current investments: consolidated</b>		
Funds managed by Newton Investment Management Limited:		
Scholarships and awards fund		36,622,728
General fund		9,045,654
Junior department appeal fund		752,953
Newtons Investment Management Limited		46,421,335
Fund held by Charities Aid Foundation	-	83,713
ABRSM	-	2,275,000
Share of net assets in associated company	-	-
Investment in RCM Business Enterprises Limited	-	1,710,862
	-	<b>1,710,862</b>
		<b>48,780,048</b>
		<b>50,490,910</b>

	£	£
<b>Split of stock held by Newton Investment Management Limited:</b>		
Fixed interest stocks (listed)		8,446,384
Equities (listed) and unit trusts		37,418,672
Cash held by investment managers		556,279
		<b>46,421,335</b>

Other fixed assets investments are shown at market value as at 31 July 2018.

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.

	Opening balance	Income	Expenditure	Change in market value	Closing balance
	£	£	£	£	£
<b>Not consolidated</b>					
ABRSM	(1,322,000)	11,086,500	(10,669,750)	360,500	(544,750)

The RCM has a 25% interest in the Associated Board of the Royal Schools of Music (ABRSM) which is carried at cost. The 25% RCM share is reflected above for the year ended 31st January 2018. The ABRSM is a registered charity (number 292182) and a company limited by guarantee (registered number 1926395) established by four royal schools of music for the benefit of music education. The ABRSM has no share capital and the liability of the members in the event of winding up is limited to £1 per member. In the event of winding up, the ABRSM's constitution requires its governing body to consider, in the first instance, transfer of surplus assets to another body that is equipped to carry on the work of ABRSM.

### 13 Investment in subsidiary company

RCM has a 100% holding in RCM Business Enterprises Limited 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.

## Notes to the accounts for the year ended 31 July 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£.
<b>14 Trade and other receivables</b>				
Amounts falling due within one year				
Other trade receivables	690,371	142,176	654,527	207,237
Other receivables	63,898	63,898	106,576	106,576
Prepayments and accrued income	4,060,508	4,060,508	3,771,638	3,771,638
Amounts due from subsidiary companies	-	548,844	-	184,637
Amount due from ABRSM	788,000	788,000	763,000	763,000
	<u>5,602,777</u>	<u>5,603,426</u>	<u>5,295,741</u>	<u>5,033,088</u>

Prepayments and accrued income includes the deposit of £3 million for the leasehold purchase of Marvoka House.

<b>15 Current asset investments</b>				
Short term deposits	21,000,000	21,000,000	10,000,000	10,000,000
	<u>21,000,000</u>	<u>21,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>

<b>16 Cash and cash equivalents (consolidated)</b>			
	<b>At 31st July 2018</b>	<b>Cash Flows</b>	<b>At 1st August 2017</b>
	£	£	£
Cash and cash equivalents	<u>8,875,480</u>	<u>(1,503,885)</u>	<u>10,379,365</u>

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
<b>17 Creditors: amounts falling due within one year</b>				
Unsecured loans	162,750	162,750	250,250	250,250
Trade payables	354,230	351,763	580,036	580,036
Social security and other taxation payable	335,697	335,697	335,747	335,747
Accruals and deferred income	3,067,081	3,067,081	2,795,928	2,795,898
	<u>3,919,758</u>	<u>3,917,291</u>	<u>3,961,961</u>	<u>3,961,931</u>

Includes income which has been deferred until specific performance related conditions have been met, as follows:

Donations	22,236	22,236	55,521	55,521
Research grants received on account	201,649	201,649	233,416	233,416
	<u>223,885</u>	<u>223,885</u>	<u>288,937</u>	<u>288,937</u>

## Notes to the accounts for the year ended 31 July 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	RCM	Consolidated	RCM
Note	£	£	£	£
<b>18 Creditors: amounts falling due after more than one year</b>				
Deferred income - PCV lease premium	13,958,128	13,958,128	14,263,039	14,263,039
Deferred income - other	4,587,824	4,587,824	4,756,873	4,756,873
Unsecured loans	1,179,938	1,179,938	1,342,688	1,342,688
	<b>19,725,890</b>	<b>19,725,890</b>	<b>20,362,600</b>	<b>20,362,600</b>

Analysis of secured and unsecured loans:

<b>Due within one year or on demand</b>	17	162,750	162,750	250,250	250,250
Due between one and two years		162,750	162,750	162,750	162,750
Due between two and five years		488,250	488,250	488,250	488,250
Due in five years or more		528,938	528,938	691,688	691,688
<b>Due after more than one year</b>		<b>1,179,938</b>	<b>1,179,938</b>	<b>1,342,688</b>	<b>1,342,688</b>
<b>Total secured and unsecured loans</b>		<b>1,342,688</b>	<b>1,342,688</b>	<b>1,592,938</b>	<b>1,592,938</b>
Unsecured loans repayable by 2026		1,342,688	1,342,688	1,592,938	1,592,938
		<b>1,342,688</b>	<b>1,342,688</b>	<b>1,592,938</b>	<b>1,592,938</b>

	Amount	Term	Interest rate	Borrower
	£		%	
<b>Included in unsecured loans</b>				
Royal Bank of Scotland	1,342,688	2026	5.30	RCM
<b>Total</b>	<b>1,342,688</b>			

The unsecured loan from the HEFCE was repaid in full in 2017/18.

	Obligation to fund deficit on USS pension	Defined benefit obligations (Note 27)	Total pensions' provisions
	£	£	£
<b>19 Provisions for liabilities (consolidated)</b>			
At 1 August 2017	(1,711,969)	(3,819,000)	<b>(5,530,969)</b>
Movements in 2017/18	298,613	1,162,000	<b>1,460,613</b>
	<b>(1,413,356)</b>	<b>(2,657,000)</b>	<b>(4,070,356)</b>

### Pension enhancement

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

	Consolidated
Discount rate	2.16 %
Salary inflation rates (2019 - 2031)	<b>1.2% - 2.6%</b>

### 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 2018

	Restricted expendable endowments	Restricted permanent endowments	2018 Total	2017 Total
	£	£	£	£
<b>20 Endowment reserves: RCM</b>				
<b>Balance at start of the year</b>	94,180	37,555,063	<b>37,649,242</b>	36,153,019
New endowments	-	2,468,232	<b>2,468,232</b>	513,397
Income	1,791,500	1,814,926	<b>3,606,426</b>	2,938,030
Expenditure	(1,791,666)	(1,455,669)	<b>(3,247,335)</b>	(3,102,657)
Increase in market value of investments and realised gains	-	1,989,996	<b>1,989,996</b>	1,147,453
<b>Total endowment comprehensive income for the year</b>	(166)	4,817,485	<b>4,817,319</b>	1,496,223
<b>Balance at the end of the year: RCM</b>	94,014	42,372,548	<b>42,466,561</b>	37,649,243
<b>Endowment reserves: consolidated</b>				
RCM subsidiary	-	325,967	<b>325,967</b>	267,136
<b>Balance at the end of the year: consolidated</b>	94,014	42,698,515	<b>42,792,528</b>	37,916,379
<b>Analysis by type of purpose: consolidated</b>				
Scholarships	20,445	39,579,526	<b>39,599,971</b>	34,601,143
Prizes	63,058	1,261,690	<b>1,324,748</b>	1,295,360
Junior fellowships	-	1,271,756	<b>1,271,756</b>	1,192,816
Instrument loans	-	215,624	<b>215,624</b>	209,597
Other	10,511	369,919	<b>380,430</b>	617,463
	94,014	42,698,515	<b>42,792,529</b>	37,916,379
<b>Analysis by asset type: consolidated</b>				
Investments	-	42,698,515	<b>42,698,514</b>	37,822,198
Share of net assets in associated company	-	-	-	-
Cash	94,014	-	<b>94,014</b>	94,180
	94,014	42,698,515	<b>42,792,528</b>	37,916,379
<b>21 Restricted reserves: consolidated and RCM</b>				
Balance at 1 August 2017	8,217,513	559,452	<b>8,776,965</b>	559,452
New donations	4,963,526	-	<b>4,963,526</b>	9,045,994
Expenditure	(144,882)	(12,100)	<b>(156,982)</b>	(828,481)
<b>Total restricted comprehensive income for the year</b>	4,818,644	(12,100)	<b>4,806,544</b>	8,217,513
<b>At 31 July 2018</b>	13,036,157	547,352	<b>13,583,509</b>	8,776,965
<b>Analysis of other restricted funds/donations by type of purpose</b>				
Courtyard redevelopment			<b>13,036,157</b>	8,217,513
Scholarships			<b>547,352</b>	547,352
Other			-	12,100
			<b>13,583,509</b>	8,776,965

These reserves are all held as cash and cash equivalents.

## Notes to the accounts for the year ended 31 July 2018

	31 July 2018		31 July 2017	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
<b>22 Capital and other commitments</b>				
Commitments contracted for	27,062,342	27,062,342	37,411,833	37,411,833
Commitments not yet contracted for but approved by RCM Council	10,635,665	10,635,665	13,809,589	13,809,589
	<b>37,698,007</b>	<b>37,698,007</b>	51,221,422	51,221,422

Provision has not been made for the capital commitments shown above at 31 July 2018. The reduction in commitments from 2017 is due to the completion of the organ and South Building projects and progress on the Courtyard project.

### 23 Revaluation reserve

	Tangible assets	Heritage assets	Investments	Total
	£	£	£	£
Balance at 1 August 2017	4,180,263	4,926,000	4,332,760	13,439,023
Transferred to income and expenditure reserve	(226,572)	-	-	(226,572)
Unrealised loss on investments	-	-	273,468	273,468
<b>Balance at 31 July 2018</b>	<b>3,953,691</b>	<b>4,926,000</b>	<b>4,606,228</b>	<b>13,485,919</b>

### 24 Lease obligations

Consolidated and RCM	31 July 2018		31 July 2017	
	Land and Buildings	Other leases	Total	Total
	£	£	£	£
Total rentals payable under operating leases:				
<b>Paid during the year</b>	<b>140,295</b>	<b>59,162</b>	<b>199,458</b>	129,197
<b>Future minimum lease payments due</b>				
Not later than 1 year	138,505	76,011	214,516	214,516
Later than 1 year and not later than 5 years	141,520	26,021	167,541	368,041
Later than 5 years	874,350	-	874,350	875,355
<b>Total lease payments due</b>	<b>1,154,375</b>	<b>102,032</b>	<b>1,256,407</b>	1,457,912

There were 6 months lease payments for the Jay Mews building in 2016/17 and 12 months in 2017/18.

### 25 Related party transactions

During the year, the RCM received services from Florilegium (chamber music ensemble) of £3,000 (2016/17: £6,000). Professor Ashley Solomon is the Director of Florilegium and an elected member of the RCM Council and employed as the Head of Historical Performance at the RCM. There were no other related party transactions during the year, other than normal transactions with the Associated Board of the Royal Schools of Music. No payments were paid to council members for serving as council members and there were no expenses paid to council members other than routine expenditure on services provided for the council members collectively.

### 26 Subsidiary undertakings

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

## Notes to the accounts for the year ended 31 July 2018

### 27 Pension Schemes

#### Pension schemes and assumptions

The RCM has employees participating in the Teachers' Pension Scheme (TPS), Universities Superannuation Scheme Limited (USS), RCM Pension and Assurance Scheme (RCMP&AS) and the National Employment Savings Trust. In 2017/18 total employer's and employees' pension contributions were £2.5 million (£2.4 million).

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 have provided members with a standard methodology for calculating their share of the agreed funding deficit plan and we have used this methodology to account for these liabilities in line with FRS 102. The RCM is unable to identify its share of the underlying assets and liabilities of TPS and we have accounted for contributions to this scheme as though it is a defined contribution scheme.

	TPS	USS	RCMP&AS
<b>Assumptions used to determine contribution levels</b>			
Investment returns per annum	5.06%	5.20%*	5.5% to 5.7%
Salary increase per annum	4.75%	RPI + 1%	2.75%
Pension increase per annum	2.00%	CPI	2.25% to 3.0%
Market value of assets at date of last valuation	£177 billion	£41.6 billion	£11.5 million
Scheme liabilities	£192 billion	£46.9 billion	£14.2 million
Shortfall	£15 billion	£5.3 billion	£2.7 million
Scheme specific funding level	98%	89%	79%
Date of last actuarial valuation	31-Mar-12	31-Mar-14	01-Aug-16 **
Date of next actuarial valuation	31-Mar-16 ***	31-Mar-17 ***	01-Aug-19
<b>Employer's and employees' pension contribution rates</b>			
Employer's contribution rate	16.48%	18%	not applicable
Employees' contribution rate	7.4% to 11.7%	8%	not applicable

\* 5.2% in year 1 (1st April 2014) decreasing to linearly to 4.7% p.a. over 20 years

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

\*\*\* the last available complete actuarial valuations for both TPS and USS were as at 31 March 2012 and 31 March 2014 respectively (the valuation date). The valuations as at 31 March 2016 for TPS and 31 March 2017 for USS are underway but not yet completed.

	Employer's £000s	Employees' £000s	2018 Total £000s	2017 Total £000s
<b>RCM pension contributions</b>				
Teachers' Pension Scheme	561	311	872	843
Universities Superannuation Scheme	846	453	1299	1228
National Employment Savings Trust	17	22	39	26
	1,424	786	2,210	2,097
RCM Pension & Assurance Scheme	323	-	323	323
	<b>1,747</b>	<b>786</b>	<b>2,533</b>	<b>2,420</b>

#### 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 2014, which was the third 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 £41.6 billion and the value of the technical provisions was £46.9 billion giving a shortfall of £5.3 billion. Therefore the assets were sufficient to cover 89% of benefits which had accrued to members after allowing for expected future increases in earnings. The USS undertake interim valuations each year and at 31 March 2018 the value of scheme assets was £63.6 billion (£60.0bn, at 31 March 2017); liabilities £72.0 billion (£77.5bn); a funding shortfall of £8.4 billion (£17.5bn); giving a total funding level of 88% (77%).

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 24.5 years; a 65 year old female at 26.0 years; a 45 year old male at 26.5 years; and a 45 year old female at 27.8 years.

In order to clear the deficit USS implemented a recovery plan which led to changes to member benefits and also to employer's and employees' contributions with effect from April 2016. From that date employer contributions increased from 16% to 18% and the employee contributions to 8%. The scheme now offers career re-valued benefits to all employees up to a salary threshold of currently £55,550 pa, with a defined contribution scheme available to all members and specifically for those with salary above the £55,550 pa threshold. The USS is currently consulting with members about further changes to the scheme, including employer and employee contribution rates.



## Notes to the accounts for the year ended 31 July 2018

### Pension Schemes (continued)

FRS 102 distinguishes between a group plan and a multi-employer scheme. A group plan is a collection of entities under common control, typically, with a sponsoring employer. A multi-employer scheme is for entities not under common control and represents, typically, an industry-wide scheme such as that provided by USS. Accounting for a multi-employer scheme, where the employer has entered into an agreement with the scheme determines how the employer will fund a deficit and results in recognition of a liability for contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in that employers' 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 18%

#### Assumptions made by RCM

- salary inflation 1.2% - 2.6% to 2031 (cost of living and actuarial drift)
- staff turnover 2.2% - 2.0% to 2031
- discount rate 2.16% (high quality corporate bond)

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

### 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 2012 and at the date of this review the scheme had a funding shortfall of £15 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 3% and a real rate of salary growth of 2.75% above CPI. A formal valuation is currently in progress with the results expected to be implemented in 2019.

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 2017 ranged from 7.4% to 11.7%. The salary bands for contribution rates for members, increased by 3% from 01 April 2018. As part of the recovery plan employer contributions increased from 14.1% to 16.48% in September 2015.

### 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 at 5%.

### RCM Pension & Assurance Scheme

The RCMP&AS is a closed scheme with 57 pensioners and 102 deferred members of whom 16 are current RCM employees. The Scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, and in the intervening years, the actuary reviews progress of the Scheme. The most recent actuarial valuation was at 1 August 2016. At 1 August 2016 the scheme had a funding shortfall of £2.7 million and the RCM Council has agreed a recovery plan to pay off the shortfall over nine years and nine months from the effective date of the valuation, with a contribution of £26,900 per month until 30 April 2020 and an additional contribution of £24,000 per month from August 2019 to April 2026. The RCM accounts for the RCMP&AS in accordance with FRS 102 section 28.

### Assumptions

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

	<b>At 31 July 2018</b>	<u>restated</u> At 31 July 2017
	<b>%pa</b>	<b>%pa</b>
Price Inflation (RPI)		
- pre-retirement	<b>3.30</b>	3.20
- post-retirement	<b>3.40</b>	3.20
Price Inflation (CPI)	<b>2.30</b>	2.40
Rate of increase in salaries	<b>2.75</b>	2.75
Rate of increase of pensions in payment for members in relation to post April 1997 service	<b>3.10</b>	3.20
Discount rate	<b>2.70</b>	2.50

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

	Current age 65 Male	Current age 65 Female	Current age 45 Male	Current age 45 Female
At 31 July 2017	87.6	89.7	89.7	92.0
At 31 July 2018	87.6	89.7	89.8	92.0

## Notes to the accounts for the year ended 31 July 2018

### Pension Schemes (continued)

#### Scheme assets

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

	Fair value as at	
	31 July 2018 £000s	31 July 2018 restated £000s
<b>Scheme assets</b>		
Equities	2,488	2,246
Government bonds	3,164	3,011
Corporate bonds	878	1,746
Liability-driven investment	1,781	792
Multi-asset funds	2,546	2,502
Cash	350	198
Insured pensions	1,123	1,215
<b>Total</b>	<b>12,330</b>	<b>11,710</b>
<b>Analysis of the amount shown in the balance sheet:</b>		
Scheme assets	12,330	11,710
Scheme liabilities	(14,987)	(15,529)
<b>Scheme deficit: net pension liability shown in pension provisions</b>	<b>19 (2,657)</b>	<b>(3,819)</b>
Current service cost	-	(12)
Past service costs	(105)	(51)
<b>Total operating charge</b>	<b>(105)</b>	<b>(63)</b>
<b>Analysis of the amount charged to interest payable/credited to other finance income</b>		
Net interest on net defined benefit (liability)/asset	(90)	(89)
<b>Net charge to other finance income</b>	<b>(90)</b>	<b>(89)</b>
<b>Analysis of other comprehensive income</b>		
Experience gain/(loss) on liabilities	618	(97)
Gain on assets	311	84
<b>Total before deduction for tax</b>	<b>929</b>	<b>(13)</b>
<b>Analysis of movement in the present value of liability</b>		
<b>Present value of liabilities at the start of the year</b>	<b>15,529</b>	15,452
Past service cost	105	51
Interest cost	383	351
Actuarial (gain)/loss	(618)	97
Actual benefit payments	(412)	(422)
<b>Present value liabilities at the end of the year</b>	<b>14,987</b>	<b>15,529</b>
<b>Analysis of movement in the fair value of scheme assets</b>		
<b>Fair value of assets at the start of the year</b>	<b>11,710</b>	11,421
Interest income	293	262
Actuarial gain on assets	311	84
Actual contributions paid by University	427	377
Administration expenses	-	(12)
Actual benefit payments	(412)	(422)
<b>Fair value of scheme assets at the end of the year</b>	<b>12,330</b>	<b>11,710</b>
<b>Actual return on Scheme assets</b>	<b>604</b>	<b>346</b>

#### 28 Prior period adjustments

The College has restated the results and position at the end of the prior period to correct errors in the accounting for the following entries:

- inclusion of insured pensions resulting in a decrease in the actuarial loss on RCMP&AS from £20,000 to £13,000;
- reclassification of £377,416 from unrestricted to restricted donations.