

# Royal College of Music

## Annual Review and Financial Statements

### 2020/21



## Front cover

RCM composer working with musicians in the Performance Hall, taken Phil Rowley

### Patron

Her Majesty The Queen

### President

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

### Vice-Presidents

The Most Revd and Rt Hon the Lord Archbishop of Canterbury

The Most Revd and Rt Hon the Lord Archbishop of York

The Rt Hon the Lord Mayor of London

Sir Anthony Cleaver FRCM

Lady Middleton FRCM

Mr Humphrey Norrington OBE FRCM

Dame Janet Ritterman DBE HonDMus

Sir Ian Stoutzker CBE FRCM

Professor Lord Winston of Hammersmith FRCM

### Council independent members

The President

Lord Black of Brentwood (Chairman)

Mrs Jane Barker CBE FRCM (Deputy Chairman)

Ms Catherine Clarke

[appointed October 2020]

Mr Peter Dart

Baroness Fleet CBE

Mr Douglas Gardner

Mr Andrew Haigh

[term completed July 2021]

Sir George Iacobescu CBE

Ms Ruth Keattch

Mr John Nickson

Mr Jamie Njoku-Goodwin

[appointed July 2021]

Mr Andrew Ratcliffe

Mr Geoffrey Richards HonRCM

Mr Rhoderick Voremberg

[term completed July 2021]

Sir Guy Weston HonRCM

Mr James Williams

[appointed October 2020]

### Council ex-officio and elected members

Professor Colin Lawson CBE FRCM (Director)

Mr Kevin Porter HonRCM (Deputy Director)

Professor Vanessa Lata arche FRCM

Mr William Mival FRCM

[term completed July 2021]

Ms Elly Taylor HonRCM

[term completed July 2021]

Mr Joel Wilson (Students' Union President)

[Students' Union: term completed July 2021]

### Clerk to the Council

Mrs Charlotte Martin HonRCM

### Finance and General Purposes Committee

Mrs Jane Barker CBE (Chairman)  
Lord Black of Brentwood  
Mr Douglas Gardner  
Professor Colin Lawson CBE FRCM (ex officio)  
Mr Rhoderick Voremberg [term completed July 2021]

### Audit Committee

Mr Andrew Ratcliffe (Chairman)  
Ms Catherine Clarke  
Mr Andrew Haigh [term completed July 2021]  
Ms Joanna Matthews  
Mr James Williams

### Registered Office

Royal College of Music  
Prince Consort Road  
London  
SW7 2BS

### Auditors

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

### Bankers

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

### Solicitors

Boodle Hatfield LLP  
240 Blackfriars Road  
London SE1 8NW

## CONTENTS

Chairman’s message.....	6
Director’s report.....	7
Annual review	
Financial review .....	8
Progress of RCM Strategic Plan 2017 to 2027 .....	12
Inspirational programmes .....	14
Musical performance .....	16
Celebrating success.....	17
Learning for all.....	19
Employability.....	21
Philanthropic Support.....	22
Fund-raising Regulation .....	23
Equality, diversity & inclusion.....	24
Value for Money.....	25
Environmental Impact .....	26
Estates .....	27
Financial statements	
Corporate governance and responsibilities of the Council.....	28
Independent auditor’s report to the Council of the Royal College of Music.....	32
Statement of principal accounting policies.....	36
Consolidated and RCM statement of comprehensive income .....	41
Consolidated and RCM statement of changes in reserves .....	42
Consolidated and RCM balance sheet .....	43
Consolidated cash flow .....	44
Notes to the accounts.....	45

## CHAIRMAN'S MESSAGE



The Royal College of Music is one of the world's leading conservatoires with an inspiring mix of innovation and 140 years of tradition, reflected in our wonderful new state of the art facilities which are housed inside our historic campus in the heart of London.

The physical transformation of the College brought about by the More Music building development is complete and staff, students and visitors are starting to benefit from the outstanding new facilities, including two new performance halls, valuable new rehearsal and practice spaces, an interactive museum and social spaces. Our digital facilities are also being transformed through a £1.5m investment programme delivering state of the art computing and recording capabilities, and providing digitally-enabled spaces for learning, rehearsing and performing. I would like to thank our supporters for their continued generosity which is so important in making this possible.

The diversity of our community is a great strength of the College, with 60 nationalities represented in the student body, but this year we have rightly challenged ourselves to do more. A new Equality, Diversity and Inclusion committee of Council and Senate was established to monitor the progress towards our vision of a more diverse College by 2027. We are committed to fulfilling a role as an agent for positive and meaningful cultural change.

Access and excellence are two of our founding principles, and we support the most talented students with scholarships whatever their financial means. This year we awarded £3.5m in scholarships and bursaries, made possible through donations from our incredibly generous supporters. We have expanded the scholarships programme further in 2021/22 following Brexit, to ensure the College remains accessible, supporting the most talented students from the UK, EU and beyond with scholarships whatever their financial means.

Building on its position as a world-leading institution the College continues to extend its international links, including through the Global Conservatoire partnership, which from 2021/22 will give students the opportunity to study online modules delivered by other world class partners in their areas of expertise. Supported by two-year Erasmus+ Strategic Partnership Award, this project will also provide RCM teaching staff with transnational training, networking and research opportunities.

Throughout the pandemic both staff and students have found innovative and creative ways to continue learning and music-making in the face of social distancing and other restrictions. I am proud that our staff have done everything in their power to put the priorities and needs of our students first, and that we have made real and lasting improvements to the facilities and opportunities we can offer to them. Our finances are sound as we emerge from a challenging two years of the pandemic with a new banking facility in place and able to continue our programme of investment.

On Council, we were very sorry to say goodbye to Andrew Haigh, Rhoddy Voremberg, William Mival and Elly Taylor and I thank them all for their enormous contribution over the years. In turn, we welcomed new Council members Catherine Clarke, Jamie Njoku-Goodwin, James Williams, Professor Natasha Loges and Ann Somerville who bring a wide range of experience and expertise. After two years as the Students' Union President during which he made an invaluable contribution representing the voice of the RCM students, we said goodbye to Joel Wilson and welcome Laura Williamson as the new Students' Union President.

The crisis in music education in our schools is cause for grave concern and again I would like to highlight the need for fundamental and urgent policy change. The UK's worldwide reputation for musical excellence is potentially a powerful engine for prosperity as the country starts to recover from the crisis.

Finally, I would like to thank Colin Lawson, Kevin Porter and all the members of the Directorate for their leadership of the College and indeed all staff for their hard work and commitment during this incredibly difficult year. I am especially grateful to Lily Harriss' team and to Geoff Richards for supporting our students and the College through online galas and other fund-raising efforts in these difficult times. Finally I am also indebted to all members of Council – especially Deputy Chairman Jane Barker – for the wisdom, expertise and energy they bring to our work, and their commitment to the future of music.

A handwritten signature in black ink, appearing to be 'Lord Black of Brentwood', written on a light blue background.

Lord Black of Brentwood  
Chairman

## DIRECTOR'S REPORT

College life in 2020/21 has been deeply affected by the COVID-19 crisis and the RCM's resilience over the academic year has been testament to the resourcefulness of the student body, led by an inspirational SU president. I am hugely grateful to the RCM staff, who have been dedicated and creative in their response, and who alongside our students have risen to every challenge with such a positive mindset.

The academic programme continued to be heavily dependent on digital delivery for much of the year. I am particularly proud that our library achieved a 95% satisfaction score - the highest across the whole HE sector - in the National Student Survey, of the digital improvements we have continued to deliver, and of the way staff, students and our support services have worked so hard to look after the well-being and mental health of our students during these difficult times. One of the benefits of the move to digital meetings was the opportunity for our outstanding professorial staff to participate more fully in the life of the College in a way that fits into their busy professional life, increasing their sense of belonging and unlocking an opportunity to engage with their wealth of tacit knowledge and experience more fully.

It was with evident joy and relief that we were able to return to College for in-person lessons and live music-making towards the end of the Spring Term, albeit still with restrictions on distancing. The priority of the performance programme was to provide opportunities for students to play together and, in the absence of audiences, for performances to be recorded for audio and for video, for sharing both internally and with our increasingly large online audiences. Regular orchestral projects returned, including the RCM Jazz Orchestra, and we continued our series of performances recorded directly for film, with Saint-Saëns' Carnival of the Animals, and Stravinsky's Soldier's Tale narrated by Sir Thomas Allen. A filming of Handel's Rodelinda used the whole of the Britten Theatre space as a creative performance area for singers and instrumentalists. Other notable events have been the one-day Keyboard and String Festivals, broadcast to wide audiences around the world and a piano masterclass with Sir András Schiff.

I am delighted to report that for the sixth consecutive year RCM has been ranked the top institution for performing arts in the UK (2021 QS World University Rankings), no. 1 in Europe and no. 2 globally. Developing the talent and character of our students to thrive in their professional life is RCM's core aim and the recent digital focus has brought new opportunities for us to expand their experience of recording and to broaden the reach of our innovative Creative Careers service. The RCM has restated its commitment to the ideals of an inclusive, open and just society, supporting students from diverse social, economic and ethnic backgrounds. The Diversity Action Group has formulated a broad action plan, overseen by the joint EDI Committee of Council and Senate. A series of chamber concerts celebrating Diversity took place in July, culminating in a one-day FestivALL, featuring music from under-represented composers and performers from across the College.

The tradition of a philanthropic scholarships programme dates back to our foundation in 1882 and we remain very grateful to all our current supporters, whether engaged in student support, academic initiatives of various kinds, or helping us on the final push to achieve the fundraising target for our transformational More Music development. This building project is now complete and students and staff alike have settled into the new facilities, including the indoor and outdoor social and café spaces, two new performance halls and increased rehearsal and practice space. We continue to invest heavily in our digital infrastructure and related student facilities for learning and recording. The final parts of the development, the interactive museum and the associated Wolfson centre in Music and Material Culture, opened their doors in October.

We maintained our focus on putting the College in good financial shape going forward, addressing the ongoing loss of revenue from ABRSM and delivering our cost-cutting target for 2020/21; since the year end we have put in place a new £11m bank facility and moving the management of our endowed scholarships fund onto a Total Return basis.

Details of our academic programmes, vibrant research agenda and the successes of our students at prestigious competitions around the world are covered in some depth in the following pages.



A handwritten signature in dark ink, which reads "Colin Lawson". The signature is written in a cursive, flowing style.

Colin Lawson CBE FRCM  
Director

## FINANCIAL REVIEW

<p><b>Performance *</b></p> <p>Total income: £28.9m (£29.0m)</p> <p>Surplus for the year: £8.7m (deficit of -£1.2m)</p> <p>Underlying surplus before gains &amp; losses: £1.8m (deficit of -£0.1m)</p> <p><i>Underlying surplus (deficit) excludes USS pension adjustments</i></p>	<p><b>Liquidity and Debt</b></p> <p>Borrowings: £6.8m (£9.0m)</p> <p>Cash and short-term investments: £8.9m (£10.2m)</p> <p>Net Cash: £2.1m (net debt of -£1.2m)</p>
<p><b>Investment</b></p> <p>Capital Expenditure: £1.9m (£9.5m)</p>	<p><b>Financial Strength</b></p> <p>Net assets: £110.3m (£100.6m)</p>

\* Comparative data for the prior year 2019/20 is shown in brackets throughout this review

The reported surplus for the year was £8.7m, compared to a deficit of £1.2m in 2019/20, and included £6.9m of gains on our investments, following £2.8m of losses on our investments in the previous year. These gains and losses relate primarily to investments held by the restricted Scholarships and Awards fund, and are not reflective of the underlying operations of the College. Furthermore the impact of pensions is so significant across the Higher Education sector that it can obscure the underlying picture.

In order to provide a comparable measure of the College's performance we have excluded these gains and losses and the impact of USS pension adjustments from the underlying surplus. The underlying surplus for the year was £1.8m compared to a small deficit of -£0.1m in the previous year reflecting the College's success in mitigating the significant impacts of the COVID-19 pandemic by continuing to attract students from around the world and in controlling its costs.

The largest impact of COVID-19 on the finances of the College, affecting both 2020/21 and 2019/20, was the loss of the annual ABRSM donation which usually provides around £1.5m of funding for the College's core activities: the operations of ABRSM were severely affected by COVID-19, and we expect it to be some years before donations are back up to their pre-pandemic level. Other donations were also £2.0m lower than their 2018/19 pre-pandemic level, and other income £0.6m lower. Student recruitment however remained strong and tuition fees increased by £1.1m year on year. At the same time, tight cost controls meant that underlying staff costs decreased by £0.8m compared with the previous year, whilst other operating expenses decreased by £1.9m. We have also taken steps to reduce our cost base by £2.0m compared to previous plans, putting us in good shape going forward.

	2020/21	2019/20
	£m	£m
<b>Reported surplus/ (deficit) for the year</b>	<b>8.7</b>	<b>(1.2)</b>
remove gains/ (losses) on investments/disposals	(6.6)	2.8
remove changes to pension provisions	(0.3)	(1.7)
<b>Underlying surplus/ (deficit) before gains and losses</b>	<b>1.8</b>	<b>(0.1)</b>

### Capital Investment

Following deferrals in 2019/20 to conserve cash as the pandemic hit, we invested £1.9m (£9.5m) of Capital Expenditure in 2020/21, including the final elements of spend on the £40 million investment in More Music Reimagining the RCM project which created two new performance halls, an interactive museum, extra practice and rehearsal spaces and more communal space for students, staff and visitors; it also included a £1.0m investment in our digital infrastructure.



## Liquidity and Debt

Cash balances and current asset investments at 31 July 2021 were a healthy £8.9m (£10.2m). If we exclude balances relating to restricted funds, this represented 91 liquidity days, which is in line with our policy to maintain operating cash in a range of 60 to 120 days.

Our borrowings at the year end were £6.8m compared to £9.0m last year, and include our long term loan from RBS which now has just £0.8m outstanding and will be fully repaid by 2026. The amount drawn down on the £13.0m Revolving Credit Facility (RCF) in place at 31 July 2021 was £6.0m (£8.0m), and in October 2021 this facility was replaced by a new £11.0m RCF for an initial period of three years to October 2024.

Overall year end net cash was £2.1m, compared to net debt of -£1.2m last year. The College also holds in reserve non-current investments of £7.4m (£6.7m) managed by Ruffer LLP; this "General Fund" is a fund established to work in coordination with RCM's working capital requirements and capital requirements.

## Pensions

Our pension liabilities total £4.3m (£5.9m). These liabilities relate to the Universities Superannuation Scheme (USS) and the RCM Pension and Assurance Scheme (RCMPAS). A third scheme, the Teachers' Pension Scheme (TPS), is also significant covering most of our teaching staff. Each of these schemes is accounted and reported differently in the financial statements, reflecting their different nature.

USS is a multi-employer scheme where the assets and liabilities are pooled and the College's share cannot be separately identified. Instead we account for liabilities arising under the scheme's deficit recovery plan. These liabilities stand at £2.2m as at 31 July 2021, a reduction of £0.2m over last year, both of which were based on the 2018 valuation. In October 2021, the 2020 valuation was completed with a new provisional deficit recovery plan which is subject to consultation: this will be reflected in next year's financial statements. In October 2021 our contributions increased from 21.1% to 21.4% in line with that new plan.

For TPS we account for contributions on a "pay as you go" basis with contribution rates determined by the Exchequer. Currently we make contributions to TPS at 23.4% of the relevant salaries. We closed the RCMPAS to future accrual in 2007, and the scheme's deficit is estimated at £2.1m, down from an estimated £3.5m last year.

## Investments

The Investment Committee monitors the performance of RCM's investment portfolios which have a total value of £50.7m (£43.6m). The market value of our investments improved markedly in the year, increasing by £6.9m, following the decrease of £2.8m in 2019/20.

There are three funds:

- Scholarship and Awards Fund £42.4m (£36.2m): a permanently endowed fund for scholarships and awards, managed during the year by Cazenove Capital and Newton Investment Management Ltd;
- General Fund £7.4m (£6.7m): an unrestricted fund established to work in coordination with RCM's working capital requirements and capital requirements, managed by Ruffer LLP; and
- Junior Department Appeal Fund £0.9m (£0.7m): a permanently endowed fund for bursaries, managed during the year by Newton Investment Management Ltd and Sarasin & Partners from July 2021.

The Council has exercised the power granted under s.104A(2) of the Charities Act 2011 to manage the investments held by the Scholarship and Awards Fund on a total return basis from 1 August 2021. To support this change we held a review of our investment managers and in August the investments were split into two new portfolios held in the Charity Multi-Asset Fund managed by Cazenove Capital and the Sarasin Endowments strategy managed by Sarasin & Partners. These changes will be reflected in the 2021/22 accounts.

The initial value of the trust for investment and the initial value of the unapplied total return were established as at 31 July 2020, based on detailed work carried out between January 2021 and July 2021. The date of the valuation for each individual endowment within the fund is the date that endowment was received, or a reasonable estimate thereof, and the calculation of the value of the trust for investment includes all funds in place at 31 July 2020. At that same date, the initial value of unapplied total return was determined as equal to the accumulated unapplied income from the trust for

investment and the increase in value of the trust for investment since the date of valuation of each individual endowment within the fund. The Council took advice from Cazenove to inform its decisions, and to inform its policy on a suitable level of unapplied total return going forward.

RCM's investment strategy and [policy for responsible investment](#) are set by the Finance & General Purposes Committee, on the recommendation of the Investment Committee.

## Future Outlook

In both 2020/21 and 2019/20 the financial challenges associated with the Covid-19 pandemic have been considerable, but the mitigating actions we have taken to address our cost base leaves us in a strong position going forward. We have completed the £40 million transformational investment in our buildings and facilities, made possible by our supporters whose generous donations continue to help both our students and the College itself, and our global student recruitment remains buoyant reflecting our status as one of the leading conservatoires in the world.

## Going Concern

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

## Staff

RCM's teaching is undertaken mainly by hourly-paid professional musicians who provide one-to-one tuition for their students, with administration undertaken in the main by permanent, full or part-time salaried staff. RCM supports the national pay framework, with pay awards negotiated, on behalf of RCM, by the Universities and Colleges Employers Association through the negotiating body New JNCHES. In common with other universities and colleges no pay increases were given in August 2020 in light of the significant financial challenges faced by the sector. However the five main HE trade unions technically remain in dispute over this round. The pay award for 2021/22 is also not yet agreed with the trade unions but on the advice of UCEA it was implemented by employers at 1.5% in August 2021.

Unison is a trade union recognised by RCM and its elected representatives are permitted to take reasonable paid time off to carry out certain union duties. In the 12 months to 31 March 2021, the amount of time spent by RCM staff on trade union activities and the cost related to that time was:

- |  |              |
|--|--------------|
| • number of union officials  | one          |
| • time spent on union activities by both employees was in the band                 | 1% to 50%    |
| • cost of staff time spent on union activities                                     | £853         |
| • total RCM staff cost (excluding USS adjustment)                                  | £15.7million |
| • staff cost related to union activities as a percentage of RCM's total staff cost | 0.005%       |
| • time spent on paid trade union activities  | 0.00%        |

## Charities Act 2006 and principal regulator

Under the Charities Act 2006, the Office for Students (OfS) is the principal regulator of those English higher education institutions (HEIs) that are exempt charities and the OfS is expected to promote charity law compliance by the exempt charities for which they are responsible. Eighteen HEIs, including RCM, are registered charities and monitored and regulated as charities by the Charity Commission; this is in addition to OfS' own accountability oversight.

RCM is registered with the Fundraising Regulator. Registration is on a voluntary basis and RCM is committed to adhering to the Regulator's "Code of Fundraising Practice".

## Public benefit

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

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

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

A handwritten signature in black ink on a light grey rectangular background. The signature is stylized and appears to be 'L. Black'.

Lord Black of Brentwood  
Chairman  
November 2021

## PROGRESS OF RCM STRATEGIC PLAN 2017 TO 2027

### Transforming the College

#### Mission and principal objectives

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

#### Objects of the Royal College of Music

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

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

#### Strategic Plan 2017-27

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

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

The overall Strategic Plan looks ahead across ten years between 2017 and 2027, setting out our Vision for RCM in 2027 and the guiding objectives and principles for new initiatives. The Vision Statement within the Strategic Plan was reviewed and revised in spring 2021, but the College paused consideration of the next three year period of the Plan during the Covid pandemic, which will now be considered during 2021/22. The development of the next three year Plan will be informed by existing and developing sub-plans, including the ICT Strategy, estates strategy, teaching and learning and assessment strategy, several of which were reviewed during 2020/21.

We have recently updated our Carbon Management Plan and our target is to achieve net zero carbon by 2035. More details are given in the "Environmental Impact" report below.

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 2021/22

The overall economic and social outlook continues to be highly uncertain while we are in the midst of the Covid-19 pandemic. This is compounded by the UK's departure from the EU, which has presaged an unprecedented period of political and economic uncertainty. Brexit has far-reaching implications for RCM, for whom 20% of its students and 74 staff are from the EU, the effects of which are now built into our planning and risk management.

The draft Budget for 2021/22 shows a deficit of -£1.3m due to the significant impact of COVID-19, with a deficit of £0.6m in 2022/23, improving each year to a surplus of £1.5m by 2025/26. We propose to invest £1.5m of Capital Expenditure in 2021/22, and in 2022/23 and beyond we have planned capital spend of £1m per annum.

Set against an uncertain background, enrolments to study at RCM in 2021 are higher than ever, with year on year increases in international and UK students. We plan continued modest growth in overseas student numbers for the next few years, while EU recruitment inevitably declines, as RCM starts to benefit from additional space resulting from its More Music building development and the occupation of RCM Jay Mews.

## Principal risks and uncertainties

The RCM Risk Management Strategy and Policy sets out the respective roles of the RCM Directorate, Council, Finance & General Purposes Committee and Audit Committee in managing risk. It also sets out the key controls and our approach to risk management. The RCM Risk Register identifies key risks, likelihood of occurrence, potential impact on RCM and actions being taken to reduce and mitigate risks. The risks themselves are prioritised using a consistent scoring system.<sup>1</sup> The Register is subject to annual review by the RCM Directorate and is monitored and up-dated throughout the year with an annual report on risk management presented to all committees involved in managing risk, including the Council. The risk register had its final review of the academic year by Directorate in June 2021 and key risks are as follows:

### Red risks:

- Failure to maintain and upgrade digital and ICT hardware and software, particularly with the greatly increased requirements caused by changes in learning and teaching practices during Covid-19.
- RCM suffers debilitating cyberattack/security breach
- Financial Sustainability, including Covid-related factors. Reduction in funding following full consultation on OfS specialist institution funding
- Sustainability of ABRSM contributions
- Covid creates unmanageable operational pressures for the College

### Amber risks:

- Impact of Brexit has an unmanageable impact on recruitment of EU students and makes it harder to retain and recruit the most qualified staff
- Failure to deliver high quality programmes and meet academic standards during/in wake of Covid
- Failure to provide fitting surroundings for delivering excellence for staff/ students
- Failure to achieve revised College fundraising targets and timings due to Covid, and need for core funding
- Failure to achieve overseas student number targets / change of UKVI policy
- Failure of trust in institution on part of College community and wider public. Diminution of classical music in the UK. Failure to inspire pride amongst members of the College community. The College is regarded as insufficiently diverse and inclusive.

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

---

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

## INSPIRATIONAL PROGRAMMES

### Enhancing learning and teaching

The College continued to apply its digital versatility by implementing a blended approach to programme delivery during 2020/21. This combined socially distanced classes and rehearsals on-site with online teaching (including Microsoft Teams classes, pre-recorded video content, and online resources on Learn.rcm). Activities involving practical music-making were prioritised for on-site delivery, while most academic teaching was delivered online. This flexible approach enabled the College to respond quickly and effectively to a variety of challenges, not least the high proportion of students who were self-isolating or unable to return to the UK, and the spring 2021 lockdown.

To support remote learners, we made significant use of the newly installed 'Panopto' video recording technology in the College's performance venues. This automated recording technology allowed students to catch up on missed class content via videos on Learn.rcm. Students working on-site have also made use of the one-touch systems to make high-quality video recordings for assessments, auditions and competitions. Furthermore, five new portable AV workstations enabled hybrid teaching to take place with students concurrently on-site and off-site.

At the beginning of the spring term, the news that we would not be permitted to teach on campus came as a huge disappointment to us all. However, the aforementioned planning and resource investment placed us in a strong position to continue delivering high-quality learning and teaching online. Faculties moved swiftly to offer online principal study tuition and a range of bespoke digital faculty classes, bringing students together to connect with their peers and learn from a range of College professors and visiting artists. Students also had access to a variety of online talks, workshops and training organised by the Creative Careers Centre and Chamber Music teams. These featured a wide range of visiting speakers and artists from across the music profession, nationally and internationally. Following successful lobbying via CUK and UUK, we were pleased when the Government permitted teaching on practical courses in higher education to re-commence in-person from 8 March.

The College's 'No Detriment' policy was updated in consultation with students to reflect the circumstances of 2020/21. This ensured that students' awards would not be unfairly affected by Covid. Following a successful recital period in June, we were delighted to celebrate the successes of the classes of 2020 and 2021 in a series of in-person graduation ceremonies.

Throughout 2020/21, Junior Department teaching and Sparks projects have also been delivered in blended formats. Alongside their online lessons and classes, Junior Department students attended selected ensemble activities on a three-week rotation to reduce numbers in the building. The Learning and Participation team continued to expand the Sparks digital resource library and have successfully delivered a range of community projects, workshops and student training online and, where possible, in-person with social distancing.

Equality, Diversity and Inclusion (EDI) continues to be a major discussion topic across all areas of the College. Participation in the 'I'M IN' Diversity and Inclusion Audit Exercise, designed by Music Masters, enabled us to identify strategies for positive change. Following the publication of the College's new EDI strategy in January 2021, the Learning, Teaching and Assessment Strategy was refreshed to reflect the College's commitment to embedding EDI in the curriculum. All undergraduate and postgraduate syllabuses have now been reviewed for 2021-22, with the aim of diversifying our academic and performance curricula. Much has been achieved to date thanks to the excellent work of the Diversity Action Group, the EDI Committee, and the proactive approach of heads of programmes and faculties, but we recognise that there is a long journey ahead to improve representation in all areas of the College's work.

During this year, the Digital Learning team has been supporting staff to develop new skills and providing regular opportunities for staff and students to engage in training and peer sharing. The Learning Innovation Working Group monitors the quality and experience of blended learning and conducted a blended learning survey with all students in the autumn of 2020. The results of this survey demonstrated that there was high satisfaction from students with the blended learning arrangements. In addition, the responses provided important user data to inform future blended learning developments.

We are indebted to the Library for providing outstanding resources and support to students during 2020/21, both in-person and online. The quality of this resource was recognised in the National Student Survey 2021, where the RCM Library achieved the highest score out of all UK HEIs for access to learning resources (95% student satisfaction). Undoubtedly, recent investments in digital score libraries such as nkoda and Henle have contributed to this position.

College-wide, our skills and confidence in technology-enhanced learning and performance continue to go from strength to strength. We plan to map some of these new learning and teaching insights through a funded Society for Research in Higher Education project, 'Transforming Performance Pedagogies', led by Dr Christina Guillaumier, Head of Undergraduate Programmes. This will help us to understand new models of blended teaching in the conservatoire, and how staff can be supported to use technology most effectively. In addition, we will continue to enhance our online delivery models through the Global Conservatoire Partnership with Manhattan School of Music, the Royal Danish Academy of Music and the University of Performing Arts, Vienna. This transnational online curriculum development project will be funded over the next two years by an Erasmus+ Strategic Partnerships grant.

Looking ahead, the next major curriculum project is the Masters Review, which will involve review and re-validation of the MMus, MPerf, MComp and ArtDip programmes. Led by the Head of Postgraduate Programmes, Professor Natasha Loges, extensive consultation is already underway with students, staff, graduates and professionals. Over the coming months there will be more detailed discussions about how these refreshed programmes can develop more confident, versatile, digitally-literate and socially engaged artists for the post-Covid profession.

## Research and Knowledge Exchange

In July 2021, RCM had 6 externally funded projects (value to RCM, £0.8m); a further 5 funding bids awaiting response (provisional value, £1.9m); and 9 further bids being prepared. Major research projects include: HEartS Professional, 'The Health, Economic and Social impact of COVID-19 on PROFESSIONALS in the ARTs' (commenced May 2021, value to RCM £252k) is following on from the AHRC funded HEartS project (which finished in December 2020) by investigating the health, wellbeing, and financial impact of the crisis on professionals in the arts and culture sectors, to provide knowledge, leadership, advocacy and new ways forward when and where they are needed most.

The ESRC funded 'Songs from Home' year long project (commenced April 2021, value to RCM £50k) is investigating how an online song-writing programme can support new mothers experiencing mental ill-health and loneliness. The UNDP funded 'Thriving in Radical Uncertainty' training programme (commenced June 2021, value to RCM £25k) for the United Nations Development Programme has been delivered with Roger Kneebone from the Imperial College Centre for Engagement and Simulation Science. Core workshops were delivered virtually worldwide from May-July 2021 for this pilot programme.

The UKRI funded MedTech SuperConnector early career research skills development project, led by Imperial College of which the RCM is a Consortium Partner, has been awarded follow-on funding from Research England of £3.4m over two years from 1 July 2021 – 30 June 2023. Two Fellowships have been awarded a further £50k to extend their projects.

The Dutch Research Council funded ProMiMiC project 'Professional Excellence in Meaningful Music in Healthcare' (commenced 2020, value to RCM £30k) is investigating the professional development of musicians and nurses through person-centred improvisation in hospital settings. RCM alumni have been specially trained to connect live over Zoom with patients in Chelsea and Westminster Hospital's maternity wards, with the research team led by Rosie Perkins examining the skills and knowledge required to work in such a setting.

## Doctoral Research Training and Studentships

The RCM's membership of the London Arts and Humanities Partnership (LAHP, 2019 to 2024 with a possible extension to 2026) continues to encourage high-quality applications and reap rewards in terms of studentships. Applicants for the RCM doctoral programme can apply for research studentships, which cover full fees and provide a generous maintenance grant for three years of full-time, or six years of part-time study. As of 2020, Overseas students may apply to LAHP, with individual institutions covering the financial shortfall between the AHRC grant and institutional fees. A number of studentships have been ring-fenced for students from under-represented backgrounds. The 2021 competition awarded 90 studentships across eight universities and 26 humanities disciplines. Two studentships were won by RCM applicants in Music, and in Museum & Cultural Studies. This brings the current total of LAHP-funded students studying at RCM to eight.

## MUSICAL PERFORMANCE

### Bringing the notes to life

RCM's extensive performance programme is fundamental to our learning and teaching, developing skills and experience that students will need for their future professional lives. Enhanced by the close relationships with world-leading musicians who work with our students, the programme is unrivalled for the education it provides for students, and the engagement of supporters and the public. The extreme challenges of performing during the restrictions imposed by Covid-19 meant that our usual programme was greatly modified, with repertoire chosen for reduced-size ensembles, no live audiences, and significant work created for film and broadcast.

#### Autumn 2020

During the Autumn term we explored the possibilities of the creative use of film for a wide number of projects. This created significant learning opportunities for the students, and enabled our supporters and audiences to stay in touch with our activities. A series of "In Focus" chamber recordings included music by Elizabeth Maconchy and Samuel Coleridge-Taylor, introduced the RCM's new Kennedy-Mietke harpsichord, and displayed the piccolo 'cello once owned by Amaryllis Fleming. Two highly innovative orchestral projects included a reduced-orchestra version of Mahler's 9<sup>th</sup> symphony, conducted by Prince Consort Professor of Conducting, Martyn Brabbins, and a programme of Bartok and Bacewicz, with conductor Jac van Steen leading the orchestra in London via LOLA from The Hague, Netherlands. Further orchestral experience projects saw seminars and sectional rehearsal online, with Joana Carneiro and Martin André. In other performances, RCM Composers collaborated with the HeadOn art festival in Sydney, Australia; The RCM Wind Ensemble and RCM String Band included recordings made at Abbey Road Studios as part of their projects. The term was rounded off with a series of Opera Scenes, filmed around the RCM campus, and highlighting our new Performance and communal spaces.

#### Spring 2021

Extensive plans for the Spring Term had to be rearranged at very short notice as a further lockdown came into effect. This meant that most performance activity had to move online for the first two months of the year. Online Orchestral Discovery projects included fascinating discussions on Berlioz with Nicholas Collen and Richard Langham Smith, Strauss' Also Sprach Zarathustra with Vasily Petrenko, Stravinsky's Pulcinella with Jac van Steen, and a Wind Orchestra programme with Natalie Murray Beale. International Women's Day was celebrated most effectively with a programme combining recorded performances from the RCM archives interspersed with poetry readings in original languages given by our Masters students from around the world. At the end of Spring, when we were able to return to College, reduced-sized orchestras rehearsed and recorded Schumann 4 and Emilie Mayer Faust Overture with Martyn Brabbins, and Tchaikovsky Symphony No 4 with Toby Purser. Tim Lines led a project based on Prokofiev Romeo and Juliet suites, and the Percussion Faculty recorded a video showcase.

#### Summer 2021

Although still restricted in numbers able to perform together, we assembled a number of large orchestral sessions. Toby Purser, Head of Conducting, who, together with our student conductors, recorded a programme of orchestral overtures, including Samuel Coleridge-Taylor's Overture to Hiawatha. Peter Stark led a project on Beethoven Pastoral Symphony, and, later in the term, Martin André conducted Ravel's arrangement of Mussorgsky's Pictures at an Exhibition. At short notice, Jonathon Heyward conducted a programme including Debussy La Mer and Rachmaninov Piano Concerto No 2, with RCM student George Harlione as soloist. The annual Composition for Screen Showcase was, for the second year, devised and broadcast online to a large audience. We broadcast our annual Keyboard Festival from the Amaryllis Fleming Concert Hall, with a programme based around the Etude, and, notably, including the works of Ligeti. Other Faculty events included Super String Sunday, Bach Cantatas with the RCM Baroque Orchestra, the final Percussion showcase of the year, and concerts by the RCM Wind Ensemble and Saxophone Ensemble. RCM Jazz Orchestra was joined by Georgina Jackson and Pete Long. A new chamber series, Winds of Change, featured extensive repertoire by under-represented composers in four diverse concerts, and students helped devise and present our first FestivALL, an innovative day of music from composers of all backgrounds. Opera performances included an orchestral performance of Mozart Magic Flute, and a remarkable production for film of Handel Rodelinda, produced by Jo Davies. Further films have been made during the summer term, and for release online soon: Saint-Saëns Carnival of the Animals, and, in collaboration with the Central School of Ballet and Middlesex University, Stravinsky Soldier's Tale, featuring RCM Artist in Residence Sir Thomas Allen.



## CELEBRATING SUCCESS

### Shining Examples

At the RCM, we help our exceptionally talented students develop a sense of direction and provide the means for each to transform their ambitions into reality. We treat each student as a unique musician and endeavour to help everyone reach their full potential. During the last year, our students have achieved successes in many forms, whether seeing improvements in technique, reaching new audiences through digital concerts or competing in international competitions both online and in-person. Below is a small selection of student successes from 2020/21.

### Composition

Andrew Chen: appointed to the newly formed Youth Council at The Ivors Academy, the UK's independent association for music creators, and selected for the inaugural ABRSM Composers Mentoring Scheme.

Jorge Pinto Ramos: won First Prize in the SPA/Antena 2 2020 9th Edition Composition Competition with his work *Point of Departure*. The work was premiered by the Calouste Gulbenkian Orchestra on 26 September and live streamed by Portuguese National TV (RTP) and Radio.

### Keyboard

Jeneba Kanneh-Mason: performed Florence Price's Piano Concerto in One Movement at the Royal Festival Hall with the Chineke! Orchestra in October and again at the BBC Proms on 24 August.

Dmitrii Kalashnikov: won First Prize at the 28th Intercollegiate Beethoven Prize on 13 June 2021, postponed from 2020. It is the second year running that the RCM representative has won this competition.

### Strings

Zach Mowitz: awarded First Prize in the instrumental professional category at the World Bach Competition hosted by the Boulder Bach Festival.

Charlotte Saluste-Bridoux: signed to the roster of the Young Classical Artists Trust.

### Vocal

Zwakele Tshabalala: sang the role of Sportin' Life in Gershwin's *Porgy and Bess* at the Theater an der Wien in October, alongside three RCM Opera Studio alumni, Simon Shibambu, Pumeza Matshikiza and April Koyejo-Audiger.

Jessica Cale: won the 2020 Kathleen Ferrier Competition. RCM alumna Milly Forrest won third prize, and pianist Hamish Brown won the accompanist prize.

### Woodwind

Ashby Mayes: awarded a £10,000 grant from the RPS Julius Isserlis Scholarship for studying abroad in Mannheim, Germany. Ashby has continued creating virtual performances, including an arrangement of [The Mandalorian theme](#).

Petr Sedlak: has been appointed principal bassoon in the Munich Symphony Orchestra for next season. Petr has also been working with the Czech Philharmonic and is on trial for sub-principal bassoon in the BBC Philharmonic.

### Percussion

Toril Azzalini-Machecler: reached the semi-finals of ITV's *Britain's Got Talent* 2020 as part of the Chineke! Junior Orchestra, alongside RCM students Rianna Henriques (flautist), Mebrakh Haughton-Johnson (saxophonist), Shona Beecham (violinist), and RCM Junior Department students Imaan Kashim (violin) and Amalia Beeko (clarinet).

### Centre for Performance Science

Frederick Lam: has developed a new venture, OccuPain, which aims to assist musicians with their occupational pain and health through digital and interactive solutions, and advise appropriate clinical support.

Paolo Paolantonio: had an article published in *Arts & Health* in July on the importance of music in the lives of nursing home residents, as well as the benefits of making music on residents' health and wellbeing.

## Conducting

Avi Taler: recipient of the RPS Enterprise Fund, which invited applicants to present ideas drawing on the new, entrepreneurial forms of creativity they explored in lockdown.

John Paul Jennings: named Assistant Conductor with Fulham Opera, beginning with Strauss's *Die ägyptische Helena*, and a semifinalist at the Blue Danube International Opera Conducting Competition.

## Historical Performance

Dominika Maszczyńska (Masters 2 fortepiano): semi-finalist in the Società Umanitaria 27th International Beethoven Musical Competition with alumna Juliette Giovaccini (cello).

Hannah Parry (Masters 1 baroque violin & recorder), Natascha Pichler (BMus 4 baroque violin), Javi Gonzalez (Art Dip baroque cello), Dominika Maszczyńska: performed a concert of Purcell and Handel at the Lyddington Festival in July.

## RCM in the Press

'These programmes were striking in their scope, ambition and achievement. The fourteen singers showed enormous commitment, talent and spirit in making transitions between characters, genders, emotional and dramatic situations, locations, and between live and filmed performance.'

– [Claire Seymour for \*Opera Today\*](#), reviewing the RCM Opera Studios' Opera Scenes in November 2020



Jeneba Kanneh-Mason performing with Chineke! Orchestra in October 2020

## LEARNING FOR ALL

### RCM Junior Department

The RCM Junior Department (RCMJD) offers advanced training at the highest level to young musicians aged five to 18, providing individually-tailored programs of one-to-one instrument, voice and composition, supported by chamber music, orchestra, choir and musicianship. Since its inception, the RCMJD has evolved to meet the musical needs of our students and adapted to the changing educational and musical landscape. Entrance to the RCMJD is highly competitive by audition and we remain committed to ensuring successful applicants should not be prevented from coming to the RCMJD through financial hardship; in 2020/21 more than £200,000 of bursary support was accessed by families where there was the most need.

Given the increasingly challenging landscape facing young musicians in Britain today, the RCMJD has a significant role to play in supporting and nurturing the musical potential of the next generation of music students from a diverse range of backgrounds. A number of exciting musical initiatives are ongoing to ensure that we reach out and recruit students from diverse backgrounds and that as many students as possible are enabled to progress through to senior RCM. The RCMJD has formed partnerships with several musical organisations who share the same commitment to addressing the lack of diversity in music education, such as The Nucleo Project, the London Music Fund and Future Talent. In September 2021 we will launch a new transitions programme, designed to help students to transition from access programmes to junior conservatoire in partnership with Future Talent. Our highly-successful RCMJD Sparks Juniors programme continues to offer ten free places per year for 5-8 year-old children and their parents to engage with formal learning on our fully funded three-year course. We look forward to welcoming the third new cohort in September 2021.

Over the past academic year we have offered a highly successful blended learning programme, combining weekly digital vocal, chamber choir and musicianship classes with tri-weekly 'live' socially distanced chamber activities. We have delivered over 1400 high-quality one-to-one instrumental, chamber and musicianship classes every Saturday. Our digital orchestral programme offered students the opportunity to work in sections on key orchestral repertoire with our specialist orchestral tutors, and we hosted a popular weekly online performance platform so that students could continue to develop their performance skills in a supportive environment with parents and loved ones joining via Zoom. Many students were involved in creative digital projects, and our Chamber Choir and Parry Voices produced two incredibly beautiful digital recordings, bringing the joy of choral singing to our ears even as choirs all over the world were silenced. Our year concluded with a fantastic live concert at the Royal Albert Hall, including a superb chamber orchestra performance directed from the violin by RCMJD student Betania Johnny, current leader of the National Youth orchestra.

### RCM Sparks

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

Last year Sparks trained over 120 RCM students and graduates giving them professional development support online and in-person placements. Sparks workshops offer inspirational learning experiences for all, regardless of financial means, with free or subsidised places available for children (and their families) who are eligible for pupil premium, 'looked-after' children (and their families), Black, Asian and minority ethnic children/young people and families, children who live

in social housing, families eligible for housing benefit and/or working or family tax credit, families/individuals eligible for disability benefit, service families, families from Gypsy, Roma and Traveller communities, Young Carers and their families, refugee families/families with migrant status.

Sparks continues to work closely with the Tri-Borough Music Hub as a strategic delivery partner, bringing musical enrichment activities to schools and families in the London Boroughs of Westminster, Hammersmith & Fulham and Kensington & Chelsea. RCM Sparks continued all of its widening participation activity online following the termination of all face-to-face projects due to Covid-19. This important statement of the priority of this work in supporting hard to reach families and schools during this challenging time exemplifies the RCM's commitment to work in this area. A growing array of materials to ensure Sparks continues its essential relationship with the schools and local community has been developed during the year. Schools were able to access downloadable classroom resources and supporting teacher training, plus digital composition workshops for secondary schools and listening journeys for primary aged children delivered via Zoom. Families accessed practical activities for primary aged children through to teenagers and our Mini Sparks programme offered a digital training programme to support early years' practitioners developing music provision in their settings.

Get, Set, Play continued highly popular weekly workshops streamed into families' homes in some of the most deprived areas in the Tri-Borough in the Spring and Summer terms – they received a project pack of instrument resources to allow them to continue with the positive development they were making throughout the Spring term. Sparks Juniors children and families attend weekly live workshops with the RCMJD teaching team and have made excellent progress towards their end of term celebration. Sparks was delighted to bring in-person Summer Music courses back to the RCM in July and August. They took place with great success allowing use of the new spaces in the building, led by professional leaders and supported by a team of RCM students. A digital offer was also made available to the Springboard participants who were not able to attend in person enabling Sparks to reach wider geographical regions, such as West Java and Singapore.



RCM Sparks Explorers Course in summer 2021, taken by Sheila Burnett.

## EMPLOYABILITY

### Supporting talent and shaping futures

RCM is a world-leader in career development for musicians. We emphasise the need for students to be well-rounded, confident, and versatile communicators - in their professional engagements, and beyond. RCM graduates are highly employable - the Higher Education Statistics Agency graduate employment survey shows that an impressive 94% of RCM graduates from our 2017-18 cohort are in employment or further study fifteen months after graduating, as are between 94 - 100% during the last five years of the surveying period. (Employment statistics from 2019 onwards will be released later in 2021 as part of the new Graduate Outcomes survey, which replaces the DLHE process).

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

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

Due to the ongoing pandemic, the department continued to successfully deliver its services online. A weekly series was introduced called Creative Careers Connect, which featured a broad range of industry specialists. In addition, we facilitated an online networking space entitled Creative Careers Community, for students and graduates to discuss their career development in a safe and supportive way. These new initiatives enabled the CCC to have an unprecedented global reach, which resulted in an inquisitive and loyal following. Ordinarily, the CCC's RCM Gateway scheme would provide concert opportunities at more than 30 venues across London and beyond. These would include some of London's most prestigious concert halls, churches, galleries, museums, retirement homes, and hospitals. CCC would also manage a thriving Professional Engagements Service, where musicians are hired by organisations and members of the public to perform at events, work as freelance orchestral and session players, accompanists, répétiteurs, chorus members, and composers. However, due to the pandemic, all performance opportunities were postponed or cancelled, other than a few that complied with COVID-19 regulations.

Teaching is a creative, valuable component of many musicians' careers, and a worthwhile way to share musical passion and expertise. Before the pandemic, the CCC ran a popular teaching service that matched members of the public to student and graduate educators. By May 2020, we saw fit to develop an online version of the service. For the duration of the last academic year, this initiative was advertised via a broad range of marketing strategies and succeeded in generating a substantive number of new teaching opportunities for our musicians. In June 2020, a new online graduate / student mentoring scheme - RCM PushFar - was launched, to enable upcoming RCM graduates to form mentoring relationships with experienced RCM graduates. We have plans to review and develop this scheme in the next academic year.

The CCC launched two new exciting schemes during this academic year: RCM Accelerate, and the RCM Musicians' Grant Fund. RCM Accelerate is intended to support graduating RCM students to kick-start a new creative project, social enterprise, or business idea; or to take an existing initiative to the next level. Successful applicants will receive grant funding up to £5,000 and mentoring support. The RCM Musicians' Grant Fund is available to final year musicians who are seeking financial assistance towards the purchase of musical instruments and/or equipment.

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

## PHILANTHROPIC SUPPORT

Supporting access, excellence and opportunity

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

By the end of July 2021, we had secured £22.1 million in cash and pledges (risk-adjusted) of our £25 million target for the More Music Building Development. Reaching our fundraising target for the building development remains a priority. However, due to the impact of COVID-19, we are now focused on seeking support for the core activities essential to preserving our world-class teaching, research and outreach work. Philanthropic investment is crucial at this time, especially as other income-generating activities continue to face an uncertain future.

In 2020/21, the Royal College of Music (RCM) received many significant donations to help secure the future of excellence in music. We wish to recognise the Estate of Nancy Wolfers, the Andrea Bocelli Foundation, Community Jameel International, the Croucher Hong Kong Charitable Foundation, The Wolfson Foundation, The Leverhulme Trust and the inspired support of senior volunteers and loyal supporters who have helped make the campaign a success. We were delighted to welcome longstanding supporter Andrew Haigh as a new member of our More Music Campaign Committee.

The RCM's internal and dedicated fundraising and alumni engagement team carefully follow the UK Code of Fundraising Practice, and our approach is set out in detail in the "Fund-raising Regulation" page below.

### Our students – supporting the most talented

In 2020/21, the RCM awarded £3.5 million in scholarship support, benefitting over 60% of the student body, thanks to the generous support of many individuals, trusts, organisations and legators. We believe that no student should be denied an RCM education for want of funds and were delighted that our first virtual gala raised over £170,000 to support RCM scholars.

### Our global alumni community – expanding the RCM family

Our alumni continue to play an increasingly active role in the RCM community due to work carried out by the Development & Alumni Engagement and Creative Careers teams. As lockdowns impacted the global community over the past several months, we have seen many of our alumni engage with us digitally to develop our alumni programme further. We are also grateful to many alumni who have provided generous financial support to the RCM this year.

### Our future – supporting our core mission

In the face of the current global crisis, the RCM remains resilient and ready to adapt. However, our ability to provide the broadest access to world-leading excellence depends on philanthropic support. Our work changes lives – through performance, research, community initiatives, and global collaboration. Every gift will help us achieve this. We are incredibly grateful for the continued commitment and tremendous support shown by donors, friends, supporters, alumni, parents and leadership volunteers at this challenging time.

For those who believe, as we do, that music will play a vital role in our collective recovery, we hope you will support our goals. From becoming an RCM Friend to leaving a gift in your Will, every contribution truly makes a difference. There has never been a more critical time to join the RCM family.

## FUND-RAISING REGULATION

As part of our commitment to the Charities (Protection and Social Investment) Act 2016, the statement below outlines how the Royal College of Music (RCM) undertakes its fundraising activities.

*1) What is the approach taken by RCM for the purpose of fund-raising, and whether a professional fund-raiser or commercial participator carried on any of those activities?*

RCM directly employs a team of fundraising professionals to develop connections and seek donations from trusts and foundations, corporations, alumni and other individuals who have an interest in our work. In 2020/21, this fundraising was carried out to advance and support our mission and included a combination of digital appeals and individual fundraising. In 2020/21, the College did not use the services of external fundraising agencies.

*2) Was the RCM or any person acting on its behalf subject to an undertaking to be bound by any voluntary scheme for regulating fund-raising, or any voluntary standard of fund-raising, in respect of activities on behalf of the College, and, if so, what scheme or standard?*

RCM is governed by the Fundraising Code of Practice and subscribes to the Fundraising Regulator. In 2019, the College undertook a thorough review of the Code of Fundraising Practice to ensure compliance with all sections of the updated code, and continues ongoing monitoring to ensure compliance with updates as they are released. Additionally, the College is an active member of the Council for the Advancement and Support of Education (CASE) and we maintain involvement with the Institute of Fundraising (IoF), to help us ensure best practice on an ongoing basis.

*3) Was there any failure to comply with a scheme or standard mentioned under paragraph (b)?*

RCM has not identified, nor been notified of, any failures to comply with the Code of Fundraising Practice, or of any other best practice as noted by CASE, the IoF or the Data & Marketing Commission for the purposes of fundraising or engagement.

*4) Did RCM monitor activities carried on by any person on its behalf for the purpose of fund-raising, and, if so, how did it do so?*

RCM did not use the paid services of any non-staff member for fundraising in 2020/21. We have a dedicated group of senior volunteers who support fundraising in close collaboration with RCM's internal Development team, focused on building relationships with sophisticated investors and philanthropists. Additionally, the College works with external suppliers such as those who print and send large mailings on our behalf, normally once or twice a year. In these cases, we have robust contracts in place to ensure those companies comply with the relevant data protection legislation.

*5) What is the number of complaints received by RCM or a person acting on our behalf about activities carried out for the purpose of fund-raising?*

RCM has a process to monitor and address any complaints about fundraising, and in 2020/21, we had no complaints about fundraising raised through this process.

*6) What does RCM do to protect vulnerable people and other members of the public from behaviour within subsection (2) in the course of, or in connection with, such activities?*

Our approach is to make sure that our appeals are proportionate to an individual's links to RCM, with several ways to tailor how they hear from us and with opt-in only e-communication. This approach is part of our ongoing commitment to protecting vulnerable people while ensuring that those who want to support can do so in a way that works for them. Staff engaged in fundraising are made aware of the Institute of Fundraising's 'Treating Donors Fairly' guidance, as well as section 1.3 of the Code of Fundraising Practice, as part of their induction. If any member of staff has reason for concern about the potential vulnerability of any constituent or prospective donor, they will not contact that individual until a further assessment can be made. Particularly in light of COVID-19, we have added additional messaging to our fundraising appeals which acknowledges that financial circumstances may make it difficult for individuals (or organisations) to give, and suggests alternatives where appropriate; for example they may wish to participate in one of our free online events, or to volunteer their time to support RCM.

## EQUALITY, DIVERSITY AND INCLUSION

### Framing the debate, defining our values

The College established the Diversity Action Group in June 2020 as a staff and student forum to develop a diversity action plan. In complement to this, the Equality, Diversity & Inclusion (EDI) Committee was established as a joint committee of Council and Senate. All College committees now have a duty in their terms of reference to promote equality, diversity and inclusion (EDI). A new EDI policy, strategy and action plan was approved by Council in November 2020 and a new EDI Committee of Council and Senate monitors and ensures action in accordance with the action plan. We are committed to embedding EDI into all key College strategies as they come for review. Council has prioritised the appointment of new independent members from Black, Asian and ethnically diverse communities.

During this year a range of important new activities and initiatives have raised awareness of EDI at the College, engaging us in challenging but overdue conversations and setting us on the path to becoming a more equitable, respectful and diverse institution. We are committed to making change happen, for our students, staff and the future of music.

### Tackling racism and other discrimination

Equality and Diversity training is available to all staff and is compulsory for salaried staff and new starter professors. Audition and recital panels are now required to include at least one member who has undertaken unconscious bias or other EDI training. The College is recruiting volunteer staff EDI & Wellbeing Ambassadors, who will be trained in diversity awareness and College reporting policies and will act as a first point of contact for staff or students providing confidential, impartial and non-judgemental advice. An online anonymous reporting form was created and launched in June 2020. Joint SU and Student Services sessions on respect and consent are held during induction week.

### Developing the Repertoire

The new 'Play Something New' repertoire database was launched with information on over 2,400 works by composers from under-represented groups in classical music. The Library continues to expand its sheet music collection with new scores by over 80 different under-represented composers. Principal study syllabuses now give greater prominence to repertoire by composers from groups under-represented in classical music and the College also hosted a series of student-curated concerts for Black History Month 2021.

### Access & Participation

The College's Access & Participation Plan sets out the College's targets and activities, as approved by the OfS. These cover a range of underrepresented groups. The following table reports on our Black, Asian and ethnically diverse recruitment against OfS targets:

UK Domiciled Undergraduates	2021/22	2020/21
Applications	31	33
Offers	15 (9 standard, 6 under contextual policy)	21 (13 standard, 8 under contextual policy)
Acceptances	10 (7 standard, 2 contextual)	17 (9 standard, 8 contextual)
Enrolments	15* (13 standard, 2 contextual)	15 out of a final cohort of 70 (8 standard, 7 contextual) / 21.42%
Target enrolments (out of total estimated enrolments of 67)	10	8
New Black, Asian and ethnically diverse scholarships	£46,250	£55,500

\* In 2021/22 the number of enrolments is higher than acceptances. This is likely to be because some students did not declare their ethnicity on their initial application



## VALUE FOR MONEY

### Shared services and procurement

Value for money (VfM) is important to us and to our students. The College strives to deliver the best for our students by optimising the effectiveness of expenditure in support of the student experience. We endeavour to use all of our resources to fulfil our commitments to students, funders and partners – whilst ensuring the current and future success of the College. Financial decision making is scrutinised by the Council, with student representation from the Students' Union.

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

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

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

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

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

## ENVIRONMENTAL IMPACT

### Making a difference

The Royal College of Music is committed fully to minimise any negative environmental, social and economic impacts that arise from our operations. Good environmental practices are really important to us, and we have a long standing programme to manage our impacts effectively. Our approach is certified to the ISO 14001:2015 standard, which is the globally recognised gold standard for environmental management. Our environmental policy sets out our key commitments:

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

Our action on energy efficiency and carbon reduction is managed through our Carbon Management Plan. In the first stage of our Carbon Management Plan we set a target to reduce our carbon emissions from gas use and electricity by 34% from a 2004/05 baseline by 2020. We significantly exceeded this, reducing our emissions by 60%, even whilst our estate has grown, ahead of the HEFCE sector target of 42%.

This was achieved by a clear focus on efficiency and good controls. We continued to upgrade our lighting to LED fixtures, we optimised our control of energy through our Building Management System (BMS), and we upgraded the thermal efficiency of the estate through insulation and through using our boilers more efficiently. The lockdown undoubtedly played a part in the reduction in energy use this year, and it is likely we will see some increases in energy use as we return to business as usual.

In line with the Government's climate change targets, in the next stage of the Royal College of Music Carbon Management Plan we aim to achieve net zero carbon by 2035. This means:

- Continuing from our 2004/05 baseline, we will reduce our electricity and gas use emissions by 73% by 2027 and 100% by 2035.
- We will meet annual and cumulative emissions budgets that align with these targets, through emissions reductions

To achieve net zero carbon, we also need to reduce other indirect emissions, including those relating to procurement, investment and staff and student travel. We aim to reduce other indirect emissions to zero by 2035, by taking action where we have direct control and encouraging partners to reduce emissions.

2019/20 is the first year for which we have indirect emissions data: our target is to reduce emissions from our electricity, gas use and other indirect emissions by 100% by 2034/35 and 43% by 2026/27.

## ESTATES

### Providing fitting surroundings for gifted musicians

RCM was founded in 1883 and the main Blomfield Building opened for teaching of music in 1894. Subsequent additions include: the Concert Hall (1901), the South Building (1965), the Opera Theatre (1986), the RCM Jay Mews (2019) and the More Music building development (2020).

We have adopted an estates strategy which outlines how we will continue to develop our estate in order to support learning, teaching and research and to realise our artistic vision by providing:

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

In order to support our vision, we embarked on an ambitious estates development programme. A number of projects have been delivered:

- The More Music building development was completed in March 2020, just under three years from the start of construction in 2017, and within budget.
- Our new Museum, located at the heart of the More Music development, opened its doors to the public in October 2021.
- The Wolfson Centre in Music & Material Culture was successfully completed in May 2021 and forms part of the College's strategy for widening access to its archive collections under the umbrella of More Music and the new Royal College of Music Museum. This space will provide easy access to parts of the Collections to teach small classes, as well as undertaking individual research by RCM Professors.
- Staff have moved to new offices in RCM Jay Mews (formally known as Markova House) in January 2020, which also houses valuable new rehearsal and practice facilities as well as additional accommodation for teaching, research and office space. The building interior has been refurbished taking account of compliance with fire and other health and safety legislation.
- A Campus utilisation optimisation exercise to promote agility and flexibility of working and was completed in September 2021. It will provide additional music and teaching rooms and hot desking areas across the Campus. This programme will maximise the 8-week summer vacation and ultimately improve many areas of the campus for music-making while supporting a positive student experience.
- Prince Consort Village continues to provide 417 student bedrooms and 23 music practice rooms;

The Covid pandemic has impacted the function of the RCM, where adjustments to College life continue to be made to ensure the safety of staff and students. The new building has proved invaluable for managing access routes and the mobilisation and embedding of the new 3,000m<sup>2</sup> of space continue on site. Stringent risk controls continue to be implemented to mitigate risks associated with Covid, including regular review of specialist risk assessments covering all activities.

## CORPORATE GOVERNANCE & RESPONSIBILITIES OF COUNCIL

### Good governance

This statement of corporate governance and responsibilities of Council covers the period from 1 August 2020 up to the date of these Financial Statements.

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

RCM is compliant with the CUC Governance Code 2018 and as subsequently revised in September 2020 as the Higher Education Code of Governance. In November 2018, the RCM Council conducted an assessment of its own compliance with the CUC HE Code of Governance. A further assessment was undertaken in autumn 2020 and reported to Council in November 2020. The Council agreed to adopt the CUC's new Higher Education Code of Governance along with its core values and six key elements. It also approved the assessment of the College's compliance with the Code and noted that compliance is on an 'apply or explain' basis. Recognising the need for proportionality given the size of the College, the Council considered the few areas of the Code with which the College does not currently completely comply. The Council noted the recommendation that a Senior Independent Governor (SIG) be appointed, but agreed that the size and current governance structure of the College did not warrant such a separate appointment; the Council does however have a Deputy Chair. The Council agreed that references to academic freedom and freedom of speech should be incorporated into the terms of reference for Council and Senate and to the role description of Council members (both of which were subsequently actioned).

### Statement of primary responsibilities

The Council is responsible for:

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

### Structure of corporate governance

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

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

The Council has a Finance and General Purposes Committee (F&GPC) which meets at least four times a year. The F&GPC's responsibilities include monitoring performance in relation to approved budgets and oversight of the Directorate's risk management responsibilities. The F&GPC scrutinise the annual financial statements ahead of consideration by Audit Committee and Council and review financial forecasts and management accounts and make recommendations to Council. In reviewing and approving the Financial Regulations, the F&GPC ensures regularity and propriety in the use of public funding. The F&GPC also review minutes of the Health and Safety Committee in order to monitor compliance and

practice on behalf of Council. The Investment Committee (meets at least twice a year) is an F&GPC sub-committee and is constituted formally with terms of reference and chaired by an independent member of Council.

The Audit Committee reports directly to Council. It normally meets three times a year and has a key role in the RCM accountability framework. It advises the Council on the effectiveness of arrangements for risk management, control and governance, economy, efficiency and effectiveness (value for money), for management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, OfS and other bodies, and gives assurance that arrangements are in place to ensure the financial, social and environmental sustainability of the institution. 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 the auditor, the F&GPC and Directorate, and makes recommendations to the Council. The Audit Committee also receives reports on value for money, which provides assurance that RCM has appropriate arrangements to achieve value for money. The Audit Committee meets privately with each of the external and internal auditors at least once a year.

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

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

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

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

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

## Basis of financial statements

The Council is satisfied that RCM has adequate resources to continue in operation for the foreseeable future, and is satisfied that there is no material uncertainty in relation to that. For this reason the 'going concern' basis continues to be adopted in preparation of the financial statements.

In July a five year Financial Forecast to 2025/26 was approved by Council which showed a sustainable plan. A full stress test was presented including amongst other downside scenarios the impact of reduced EU and Overseas student numbers, lower income from donations, an increase in deficit contributions to the USS pension scheme, and further disruption due to Covid. The combined stress test demonstrated that the College would not run out of funds in the period up to July 2023, which is the period for which we review going concern, even in the worst case scenario where all adverse scenarios took place concurrently and no mitigating actions were taken.

In October 2021 a replacement £11m Revolving Credit Facility was successfully put in place with an initial period of three years to October 2024, providing reassurance over the availability of funding over that period.

In October 2021, F&GPC reviewed an update of the downside scenarios and stress test, which reflected the latest student numbers and other known changes, and was satisfied that the conclusions above remained valid. The successful track record of achieving cost savings when required due to Covid-related financial pressures in 2019/20 and 2020/21 provided additional assurance. F&GPC noted management achieved a surplus for 2020/21 that was better than budget, despite the unprecedented effect of Covid during the year.

F&GPC reported to Council that RCM has adequate resources to continue in operation for the foreseeable future, and is satisfied that there is no material uncertainty in relation to that. For this reason it is appropriate that the 'going concern' basis continues to be adopted in preparation of the financial statements.

As well as taking into account the work done by F&GPC and its recommendation, the Council noted that the College's projected unrestricted cash plus investments remained higher than its borrowings throughout the period to July 2023, and that the new Revolving Credit Facility would remain in place until October 2024. On this basis, whilst the Council recognise that there are uncertainties in the forecast, the Council do not consider that there is material uncertainty.

The Council reviews the annual sustainability report, incorporating key performance indicators. The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time RCM's financial position and enable it to ensure that financial statements are prepared in accordance with the Royal Charter, the Accounts Direction issued by the Office for Students, the ongoing conditions of registration issued by the Office for Students and the Terms and conditions of Research England Grant, the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable accounting standards. In addition, under the Terms and conditions of funding for higher education institutions issued by the Office for Students, the Council, through its designated office-holder, the Director, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of its surplus or deficit and cash flows for that year. The Council has also given careful consideration to the requirements contained in the Charities Act 2011 and in particular to the Charity Commission's guidance on public benefit.

In preparing the financial statements, the Council has ensured that: suitable accounting policies are selected and applied consistently; reasonable and prudent judgements and estimates are made and applicable accounting standards are followed; and the financial statements have been prepared on the going concern basis unless it is not appropriate to presume that RCM will continue in operation.

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

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

## Accounting records

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

## Internal control and risk management

The Council has responsibility for maintaining a sound system of internal control that supports achievement of policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Council in the Charter and Statutes and the OfS terms and conditions of funding for higher education institutions. The system of internal control is designed to manage rather than eliminate risk of failure to achieve policies, aims and objectives; therefore, it provides only reasonable and not absolute assurance of effectiveness. The internal control system is based on an ongoing process designed to identify risks that might hinder realisation of our policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place during the year ended 31 July 2021 and up to the date of approval of the

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

- the Council meets at least four times per annum and considers RCM's plans and strategic direction;
- the Council receives minutes of each Audit Committee meeting, together with an annual report which provides an opinion as to RCM's arrangements for risk management, internal control, governance, data quality and value for money;
- the Council receives regular reports from the Directorate on steps it is taking to manage risks, including progress reports on key projects;
- the F&GPC is responsible for oversight of risk management and the Audit Committee for keeping under review the effectiveness of risk management, control and governance arrangements;
- a system of key performance indicators has been developed and agreed; these are used to consider performance and make an overall assessment of institutional sustainability;
- a risk prioritisation methodology based on risk ranking has been established;
- an RCM-wide risk register is maintained and this is reviewed regularly by the Directorate, in order to identify and update the record of risks facing RCM;
- training for managers with responsibility for areas involving high-level risk includes attendance at relevant workshops;
- an annual review conducted by the Directorate is presented in writing to the F&GPC for discussion, and reported to the Council.

The review of effectiveness of the internal control system is informed by reports from internal auditors, who align their work with the Committee of University Chairs (CUC) Higher Education Audit Committees Code of Practice while also complying with the more limited requirements contained in "Regulatory advice 2: Registration of current providers for 2019/20". The internal auditors submit regular reports, which include their opinion on the adequacy and effectiveness of the system of internal control, with recommendations for improvement. The Council's review of effectiveness of the internal control system is also informed by the work of the Directorate, who are responsible for developing and maintaining the internal control framework, and by comments from the external auditors in their various reports.

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

## Equality, Diversity and Inclusion

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.

A full update on Equality, Diversity and Inclusion at the RCM and the Access & Participation Plan is included in this report and further details may be found on our public facing website <https://www.rcm.ac.uk/about/strategies-values/people-equality-diversity/>



Lord Black of Brentwood  
Chairman  
25 November 2021



Professor Colin Lawson CBE FRCM  
Director  
25 November 2021

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

### Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2021 and of the Group's and the College's income and expenditure, gains and losses, changes in reserves and of the Group's and College's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements of The Royal College of Music ("the College") and its subsidiaries ("the Group") for the year ended 31 July 2021 which comprise the consolidated and College statement of comprehensive income, consolidated and College statements of changes in reserves, the balance sheets for the group and College, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Group and the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the board members with respect to going concern are described in the relevant sections of this report.



### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information including the Chairman's Message, Director's Report and Annual Review and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, in all material respects:

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

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

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

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

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

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

### Responsibilities of the board

As explained more fully in the Council members' responsibilities statement set out on page 28, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

*Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations are related to their registration with the Office for Students ("OfS) and their ongoing conditions of registration, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the OfS Accounts Direction and tax legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence if any.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and relevant regulators to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility.
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, including direct representation from the Accountable Officer
- Reviewing the College's fraud register to confirm any actual or suspected instances of fraud during the year.
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to assumptions applied in estimating the defined benefit pension liability in respect of the RCM Pension & Assurance scheme, assumptions used to estimate the present value of the College's obligation in respect of the funding deficit plan for the USS pension scheme, estimates made in the assessment of impairment for the College's investment in the ABRSM and estimates made in preparing financial forecasts to support management's assessment of going concern.
- In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of cut-off and revenue recognition.
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted by individual compared to expectations based on their job role and responsibilities and journals with irregular posting patterns by period.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 the College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding with the OfS and Research England.

#### Use of our report

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

DocuSigned by:  
*Paula Willock*  
8F75FEDC31D1467...

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

**01 December 2021**

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 2021

### 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.

### Going Concern

The Council is satisfied that RCM has adequate resources to continue in operation for the foreseeable future, and is satisfied that there is no material uncertainty in relation to that. For this reason the 'going concern' basis continues to be adopted in preparation of the financial statements. Further details are provided on page 28.

### 2. Basis of consolidation

The consolidated financial statements include RCM and all its subsidiaries for the financial year ended 31 July 2021. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation. The consolidated financial statements do not include the income and expenditure of the Students' Union as RCM does not exert control or dominant influence over policy decisions.

### 3. Parent company disclosure exemptions

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

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

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

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

- in determining whether leases entered into by RCM as a lessor or a lessee are operating or finance leases the Council has assessed whether risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis;
- with regard to the lease granted by RCM to CLV for student accommodation at Prince Consort Village, the Council determined that this transaction was a service concession. However, each year RCM nominates bedrooms for students in the range of zero to 417 and the only liability which could fall on RCM is any rental shortfall on its nominated rooms in each year. In this arrangement there are no payments which meet the definition of 'minimum lease payments', therefore no such amount has been included on the balance sheet. As such RCM has treated this as a property transaction, whereby RCM disposed of a building and entered into a series of lease transactions, part of the consideration for which was preferential nomination rights. The value of these rights cannot be measured reliably and they are held at nil value in the balance sheet;
- in determining whether there are indicators of impairment of RCM's tangible and investment assets, the Council has taken into consideration factors including economic viability and expected future financial performance of assets;
- in determining the estimate of the RCM Pension & Assurance defined benefit scheme obligation Council has reviewed the critical underlying assumptions (see note 27). Council also reviewed the critical assumptions used to estimate the present value of RCM's obligation in respect of the funding deficit plan for the USS pension scheme (see note 27);
- The RCM has a 25% interest in the Associated Board of the Royal Schools of Music (ABRSM) which is carried at cost. ABRSM is not considered to be an associate; although RCM holds an effective 25% interest in ABRSM, it controls less than 20% of the votes on the Board, and as a result RCM does not have significant influence over ABRSM; and
- The impact of Covid on the trading environment for ABRSM has been considerable and it has temporarily suspended donations to RCM and the other members. RCM has carried out an impairment review of the investment in ABRSM by estimating the present value of the future cash flows under a range of scenarios and concluded that there is no impairment at 31 July 2021.

## 5. Income recognition

Fee income is stated gross of expenditure which is not a discount and credited to the consolidated statement of comprehensive income over the period in which students are studying. Where a tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Investment income is credited to the statement of comprehensive income and expenditure on a receivable basis. Funds which RCM receives and disburses as a paying agent on behalf of a funding body are excluded from the statement of comprehensive income and expenditure where RCM is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which RCM recognises the related costs for which the grant is intended. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate. Grants (including research grants) from non-government sources are recognised in income when RCM is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

### Donations and endowments

Donations and endowments with donor-imposed restrictions are recognised in income when RCM is entitled to the funds. Income is retained within "restricted reserves" until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when RCM is entitled to the funds. Investment income and appreciation of endowments is recorded in income in the year in which it arises as either restricted or unrestricted income according to the terms and restrictions for each individual endowment fund. There are four main types of donations and endowments identified within reserves:

- a) restricted donations - the donor has specified that the donation must be used for a particular objective;
- b) unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of RCM;
- c) restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and RCM has the power to use the capital; and
- d) restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### Capital grants

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

## 6. Accounting for retirement benefits

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

## 7. Employment benefits

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

## 8. Operating leases

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

## 9. Foreign currency

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

currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

#### 10. Fixed assets

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

##### Land and buildings

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

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

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

##### Prince Consort Village

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

##### Musical instruments

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

##### Furniture, equipment and software

Furniture, equipment and software costing less than £5,000 is recognised as expenditure in the year of acquisition at cost. All other items of £5,000 or more are 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, software	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.

##### Financial assets

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently

held at amortised cost, less any impairment.

#### 11. Finance costs and financial liabilities

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

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

#### 12. Heritage assets

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

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

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

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

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

#### 13. Cash and cash equivalents

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

Term deposits that have a life in excess of three months are held on the balance sheet as current asset investments.

#### 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 recognized 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 2021

	Note	Year ended 31 July 2021		Year ended 31 July 2020	
		Consolidated £	RCM £	Consolidated £	RCM £
<b>Income</b>					
Tuition fees	1	15,190,402	15,190,402	14,119,100	14,119,100
Funding body grants	2	5,883,460	5,883,460	5,517,960	5,517,960
Research grants and contracts	3	535,641	535,641	438,704	438,704
Other income	4	1,634,444	1,634,444	2,003,113	2,003,113
Investment income	5	1,189,757	1,232,389	1,619,283	1,620,902
<b>Total income before endowments and donations</b>		<b>24,433,704</b>	<b>24,476,336</b>	23,698,160	23,699,779
Donations and endowments	6	3,774,178	3,774,178	3,573,660	3,573,660
More Music campaign	6	658,239	658,239	1,745,155	1,745,155
<b>Total income</b>		<b>28,866,121</b>	<b>28,908,753</b>	29,016,975	29,018,594
<b>Expenditure</b>					
Staff costs before pension adjustment	7	15,368,098	15,368,098	16,271,277	16,271,277
Pension adjustment	7	(267,493)	(267,493)	(1,743,636)	(1,743,636)
Total staff costs	7	15,100,605	15,100,605	14,527,641	14,527,641
Other operating expenses	8	8,860,881	8,807,084	10,768,295	10,765,418
Depreciation	10	2,571,344	2,571,344	1,845,245	1,845,245
Interest and other finance costs	9	225,921	225,921	251,128	251,128
<b>Total expenditure</b>		<b>26,758,751</b>	<b>26,704,954</b>	27,392,309	27,389,432
<b>Surplus before gains and share of operating surplus of associates</b>		<b>2,107,370</b>	<b>2,203,799</b>	1,624,666	1,629,162
Loss on disposal of tangible fixed assets		(319,171)	(319,171)	-	-
Gain/(loss) on disposal of investments		1,651,680	1,651,680	(51,660)	(51,660)
Change in fair value of investments	12	5,239,036	5,239,036	(2,774,246)	(2,774,246)
<b>Surplus/(Deficit) for the year</b>		<b>8,678,915</b>	<b>8,775,344</b>	(1,201,240)	(1,196,744)
Actuarial gain/(loss) in respect of pension schemes	27	1,031,000	1,031,000	(690,000)	(690,000)
<b>Total comprehensive income for the year</b>		<b>9,709,915</b>	<b>9,806,344</b>	(1,891,240)	(1,886,744)
Represented by:					
Restricted endowment comprehensive income for the year		6,808,045	6,904,474	(3,136,621)	(3,132,125)
Restricted comprehensive income for the year	21	(4,037)	(4,037)	(15,840,042)	(15,840,042)
Unrestricted comprehensive income for the year		2,366,982	2,366,982	16,815,885	16,815,885
Revaluation reserve comprehensive income for the year	23	538,925	538,925	269,538	269,538
		<b>9,709,915</b>	<b>9,806,344</b>	(1,891,240)	(1,886,744)

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

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

## Consolidated and RCM statement of changes in reserves

### Year ended 31 July 2021

	Income and expenditure account			Revaluation reserve	Total reserves
	Endowment	Restricted	Unrestricted		
	£	£	£	£	£
<b>Consolidated</b>					
<b>Balance at 1 August 2019</b>	<b>45,583,130</b>	<b>16,194,006</b>	<b>27,144,413</b>	<b>13,553,755</b>	<b>102,475,304</b>
Surplus from the income and expenditure statement	(3,136,621)	1,698,613	236,768	-	(1,201,240)
Other comprehensive income	-	-	(690,000)	-	(690,000)
Transfers between revaluation and income and expenditure reserve	-	-	(269,538)	269,538	-
Release of restricted funds on completion of courtyard redevelopment	-	(17,538,655)	17,538,655	-	-
<b>Total comprehensive income for the year</b>	<b>(3,136,621)</b>	<b>(15,840,042)</b>	<b>16,815,885</b>	<b>269,538</b>	<b>(1,891,240)</b>
<b>Balance at 1 August 2020</b>	<b>42,446,509</b>	<b>353,964</b>	<b>43,960,298</b>	<b>13,823,293</b>	<b>100,584,064</b>
Surplus from the income and expenditure statement	6,535,197	(4,037)	2,147,755	-	8,678,915
Other comprehensive income	-	-	1,031,000	-	1,031,000
Transfers between revaluation and income and expenditure reserve	-	-	(538,925)	538,925	-
Reclassification from restricted to unrestricted reserves	272,848	-	(272,848)	-	-
<b>Total comprehensive income for the year</b>	<b>6,808,045</b>	<b>(4,037)</b>	<b>2,366,982</b>	<b>538,925</b>	<b>9,709,915</b>
<b>Balance at 31 July 2021</b>	<b>49,254,554</b>	<b>349,927</b>	<b>46,327,280</b>	<b>14,362,218</b>	<b>110,293,979</b>

	Income and expenditure account			Revaluation reserve	Total
	Endowment	Restricted			
	£	£		£	£
<b>Royal College of Music</b>					
<b>Balance at 1 August 2019</b>	<b>45,125,052</b>	<b>16,194,006</b>	<b>27,144,413</b>	<b>13,553,755</b>	<b>102,017,226</b>
Surplus from the income and expenditure statement	(3,132,125)	1,698,613	236,768	-	(1,196,744)
Other comprehensive income	-	-	(690,000)	-	(690,000)
Transfers between revaluation and income and expenditure reserve	-	-	(269,538)	269,538	-
Release of restricted funds on completion of courtyard redevelopment	-	(17,538,655)	17,538,655	-	-
<b>Total comprehensive income for the year</b>	<b>(3,132,125)</b>	<b>(15,840,042)</b>	<b>16,815,885</b>	<b>269,538</b>	<b>(1,886,744)</b>
<b>Balance at 1 August 2020</b>	<b>41,992,927</b>	<b>353,964</b>	<b>43,960,298</b>	<b>13,823,293</b>	<b>100,130,482</b>
Surplus after taxation from the income and expenditure statement	6,631,626	(4,037)	2,147,755	-	8,775,344
Other comprehensive income	-	-	1,031,000	-	1,031,000
Transfers between revaluation and income and expenditure reserve	-	-	(538,925)	538,925	-
Release of restricted funds on completion of courtyard redevelopment	-	-	-	-	-
Reclassification from restricted to unrestricted reserves	272,848	-	(272,848)	-	-
<b>Total comprehensive income for the year</b>	<b>6,904,474</b>	<b>(4,037)</b>	<b>2,366,982</b>	<b>538,925</b>	<b>9,806,344</b>
<b>Balance at 31 July 2021</b>	<b>48,897,401</b>	<b>349,927</b>	<b>46,327,280</b>	<b>14,362,218</b>	<b>109,936,826</b>

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

## Consolidated and RCM balance sheet

### Year ended 31 July 2021

	Note	As at 31 July 2021		As at 31 July 2020	
		Consolidated £	RCM £	Consolidated £	RCM £
<b>Non-current assets</b>					
Fixed assets	10	71,064,692	71,064,692	71,876,232	71,876,232
Heritage assets	10,11	5,543,757	5,543,757	5,493,790	5,493,790
Investments	12	54,750,057	53,039,195	47,650,735	45,939,873
Investment in subsidiary company	13	-	1,710,862	-	1,710,862
		<u>131,358,506</u>	<u>131,358,506</u>	<u>125,020,757</u>	<u>125,020,757</u>
<b>Current assets</b>					
Trade and other receivables	14	1,805,523	1,440,375	1,382,601	1,062,448
Investments	15	-	-	2,500,000	2,500,000
Cash and cash equivalents		8,910,811	8,891,466	7,692,935	7,559,506
		<u>10,716,334</u>	<u>10,331,841</u>	<u>11,575,536</u>	<u>11,121,954</u>
Less: Creditors: amounts falling due within one year	17	<u>(10,056,547)</u>	<u>(10,029,207)</u>	<u>(3,671,138)</u>	<u>(3,671,138)</u>
<b>Net current assets</b>		<b>659,787</b>	<b>302,634</b>	<b>7,904,398</b>	<b>7,450,816</b>
<b>Total assets less current liabilities</b>		<b>132,018,293</b>	<b>131,661,140</b>	<b>132,925,155</b>	<b>132,471,573</b>
Creditors: amounts falling due after more than one year	18	<u>(17,406,450)</u>	<u>(17,406,450)</u>	<u>(26,420,615)</u>	<u>(26,420,615)</u>
<b>Provisions</b>					
Pension provisions	19	<u>(4,317,864)</u>	<u>(4,317,864)</u>	<u>(5,920,475)</u>	<u>(5,920,475)</u>
<b>Total net assets</b>		<b>110,293,979</b>	<b>109,936,826</b>	<b>100,584,065</b>	<b>100,130,483</b>
<b>Restricted reserves</b>					
Income and expenditure reserve - endowment reserve	20	49,254,554	48,897,401	42,446,509	41,992,927
Income and expenditure reserve - restricted reserve	21	349,927	349,927	353,964	353,964
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		46,327,280	46,327,280	43,960,298	43,960,298
Revaluation reserve	23	14,362,218	14,362,218	13,823,293	13,823,293
		<u>110,293,979</u>	<u>109,936,826</u>	<u>100,584,065</u>	<u>100,130,483</u>
<b>Total reserves</b>		<b>110,293,979</b>	<b>109,936,826</b>	<b>100,584,065</b>	<b>100,130,483</b>

The financial statements were approved and authorised for issue by the Council on 25 November 2021 and were signed on its behalf on that date by:




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

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

## Consolidated cash flow Year ended 31 July 2021

	Note	Year ended 31 July 2021 £	Year ended 31 July 2020 £
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		9,709,915	(1,891,240)
<b>Adjustment for non-cash items</b>			
Depreciation	10	2,571,344	1,845,245
(Gain)/loss on disposal of fixed asset investments		(1,651,680)	51,660
(Gain)/loss on fair value of investments		(5,239,036)	2,774,246
Decrease in debtors	14	(422,922)	2,193,876
(Decrease) in creditors		410,792	(1,064,765)
(Decrease) in pension provision	19	(1,602,611)	(1,470,249)
Receipt of donated assets		(187,000)	(255,750)
Amortised lease income		(304,908)	(304,911)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(1,189,757)	(1,619,283)
Interest payable	9	108,923	126,875
Endowment income	6	(376,406)	(476,552)
Loss on the disposal of fixed assets		319,171	-
Capital grant income		(715,173)	(326,382)
<b>Net cash (outflow)/inflow from operating activities</b>		<u>1,430,652</u>	<u>(417,230)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	-
Capital grants receipts		143,283	107,747
Disposal of non-current asset investments		7,852,545	3,270,766
Investment income	5	1,189,757	1,619,283
Payments made to acquire fixed assets		(1,941,943)	(9,511,468)
Purchase of non-current asset investments		(8,061,151)	(484,645)
New fixed term deposits		-	-
Fixed term deposits expired		2,500,000	2,000,000
<b>Net cash outflow from investing activities</b>		<u>1,682,491</u>	<u>(2,998,317)</u>
<b>Cash flows from financing activities</b>			
Interest paid	9	(108,923)	(126,875)
Endowment cash received		376,406	476,552
New unsecured loans		-	7,000,000
Repayments of amounts borrowed		(2,162,750)	(162,750)
<b>Net cash inflow from financing activities</b>		<u>(1,895,267)</u>	<u>7,186,927</u>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<u>1,217,876</u>	<u>3,771,380</u>
Cash and cash equivalents at beginning of the year		7,692,935	3,921,555
Cash and cash equivalents at end of the year		8,910,811	7,692,935

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

## Notes to the accounts for the year ended 31 July 2021

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
<b>1 Tuition fees</b>				
Full-time UG home and EU	2,994,277	2,994,277	2,916,063	2,916,063
Full-time PG home and EU	2,485,660	2,485,660	2,589,086	2,589,086
Part-time home and EU	231,763	231,763	203,831	203,831
Non-EU	7,494,002	7,494,002	6,496,867	6,496,867
Other	1,984,700	1,984,700	1,913,253	1,913,253
	<b>15,190,402</b>	<b>15,190,402</b>	<b>14,119,100</b>	<b>14,119,100</b>
<b>2 Funding body grants</b>				
Recurrent grant				
Teaching	4,378,237	4,378,237	4,396,928	4,396,928
Research	501,205	501,205	472,317	472,317
HEIF	335,207	335,207	319,910	319,910
Specific grants				
Staff related inherited liabilities	15,850	15,850	21,133	21,133
Other grants	156,610	156,610	200,740	200,740
Capital grants released in the year	496,351	496,351	106,932	106,932
	<b>5,883,460</b>	<b>5,883,460</b>	<b>5,517,960</b>	<b>5,517,960</b>
Other capital grants includes an amount of £392,899 that has been recognised in the year relating to correct amortisation charges on grants received.				
The table below shows the sources of grant and fee income.				
<b>Grant and fee income</b>				
Grant income from OfS	4,964,023	4,964,023	4,547,698	4,547,698
Grant income from other bodies	1,646,775	1,646,775	1,853,148	1,853,148
Fee income for taught awards (exclusive of VAT)	12,854,457	12,854,457	11,969,550	11,969,550
Fee income for research awards (exclusive of VAT)	351,245	351,245	236,297	236,297
Fee income from non-qualifying courses (exclusive of VAT)	1,984,700	1,984,700	1,913,253	1,913,253
	<b>21,801,200</b>	<b>21,801,200</b>	<b>20,519,946</b>	<b>20,519,946</b>
<b>3 Research grants and contracts</b>				
BIS research councils	388,664	388,664	416,364	416,364
UK-based charities	1,621	1,621	-	-
Government (UK and overseas)	13,871	13,871	13,990	13,990
Other	131,485	131,485	8,350	8,350
	<b>535,641</b>	<b>535,641</b>	<b>438,704</b>	<b>438,704</b>
<b>4 Other income</b>				
Residences, catering and conferences	66,351	66,351	248,752	248,752
Other capital grants	218,822	218,822	219,450	219,450
Other services rendered	30,329	30,329	193,097	193,097
Lease premium - Prince Consort Village	304,908	304,908	304,911	304,911
Other income	1,014,034	1,014,034	1,036,903	1,036,903
	<b>1,634,444</b>	<b>1,634,444</b>	<b>2,003,113</b>	<b>2,003,113</b>
Other income in 2020/21 includes £191,697 claimed through the Coronavirus Job Retention Scheme (2019/20: £444,182).				
<b>5 Investment income</b>				
Investment income on endowment assets - unrestricted	45,970	45,970	138,675	138,675
Investment income on endowment assets - restricted	1,142,942	1,185,574	1,479,420	1,424,586
Other interest receivable	845	845	1,188	57,641
	<b>1,189,757</b>	<b>1,232,389</b>	<b>1,619,283</b>	<b>1,620,902</b>

## Notes to the accounts for the year ended 31 July 2021

	Note	Year ended 31 July 2021		Year ended 31 July 2020	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
<b>6 Donations and endowments</b>					
New endowments with restrictions		376,406	376,406	476,552	476,552
Restricted donations		3,148,838	3,148,838	2,514,887	2,514,887
Unrestricted donations - Other		248,934	248,934	582,221	582,221
		<b>3,774,178</b>	<b>3,774,178</b>	3,573,660	3,573,660
More Music campaign donations		658,239	658,239	1,745,155	1,745,155
		<b>4,432,417</b>	<b>4,432,417</b>	5,318,815	5,318,815

<b>7 Staff costs</b>					
Salaries		12,140,877	12,140,877	13,131,467	13,131,467
Social security costs		1,054,628	1,054,628	1,094,597	1,094,597
Movement on USS provision and related finance charge	9, 19	(267,493)	(267,493)	(1,743,636)	(1,743,636)
Other pension costs	27	2,172,592	2,172,592	2,045,213	2,045,213
		<b>15,100,605</b>	<b>15,100,605</b>	14,527,641	14,527,641

	Year ended 31	Year ended
	July 2021	31 July 2020
Emoluments of the Director	£	£
Basic salary	228,000	228,000
Payment in lieu of pension	34,884	34,884
Benefits in kind	10,987	10,833
Emoluments excluding pension contributions	<b>273,871</b>	273,717
Pension contributions*	4,560	4,598
Emoluments including pension contributions	<b>278,431</b>	278,315

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

In determining the Director's pay for 2021/22, the Remuneration Committee took into account the context in which the RCM is currently operating:

- The national negotiations on an annual cost of living award for 2021/22, with a final offer from UCEA of a 1.5% uplift to the pay spine with higher increases on the lowest points
- The current financial position of RCM, and the progress at RCM in 2021/22
- Pay in the wider economy and the financial impact of the COVID-19 global pandemic
- Benchmarking information on vice-chancellor pay, specifically at direct competitor institutions and institutions of a similar size and standing, although it was noted that the impact of the pandemic had impacted the availability of some contextual benchmarking data.

At the remuneration committee meeting held on 17 June 2021, the Director provided a verbal overview of RCM progress over the year. It was noted that a full report would be presented to the RCM Council at its meeting on 7 July 2021. Key points noted included the success of the campus redevelopment, the successful pivot to digital delivery, the high level of student satisfaction and the current financial health of the RCM and the wider HE sector.

The Committee discussed the exceptional leadership of the Director during a very challenging period. The Committee reluctantly accepted the Director's wishes to receive no pay increase this year in the light of the constraints on the College as a result of the pandemic. The Director is not a member of the Remuneration Committee.

The Annual Report of the Remuneration Committee is available on the RCM website using the link below:

<https://www.rcm.ac.uk/about/strategies-values/financialinformation/>

## Notes to the accounts for the year ended 31 July 2021

### 7 Staff costs (continued)

i. The head of the provider's basic salary is 4.9 times the median pay of staff (2020: 6.5 times), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

ii. The head of the provider's total remuneration is 5.8 times the median total remuneration of staff (2020: 6.8 times), where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.

	2021	2020
Basic pay of senior staff excluding Director	<b>Headcount</b>	Headcount
£100,000 - £104,999	3	2
£110,000 - £114,999	-	-
£115,000 - £119,999	1	1
£150,000 - £154,999	1	1
	<u>5</u>	<u>4</u>
Average staff numbers by major category :	<b>FTE</b>	FTE
Academic departments	130	131
Academic services	54	56
Premises	22	27
Administration and central services	56	58
	<u>263</u>	<u>272</u>

Compensation for loss of office payable to staff was £46,372 (2019/20: 116,189).

#### Key personnel

Key personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the RCM. This comprises members of Council and the executive directors. There was no compensation for loss of office paid to key personnel during the year. The total remuneration, including employer pension contributions, of the RCM's nine executive directors included in 2020/21 for Key personnel was £1,266,593 (2019/20: £1,208,793).

#### Council Members

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

## Notes to the accounts for the year ended 31 July 2021

	Note	Year ended 31 July 2021		Year ended 31 July 2020	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
<b>8 Other operating expenses</b>					
Academic and related expenditure		297,943	297,943	497,304	497,304
Research related expenditure		188,296	188,296	151,899	151,899
Catering		142,382	142,382	332,916	332,916
Learning resources		305,456	305,456	346,495	346,495
Scholarships and awards		3,497,856	3,497,856	3,670,698	3,670,698
Grant to RCM Students' Union		37,966	37,966	40,251	40,251
Professional fees		402,712	402,712	510,887	510,887
Premises		1,894,013	1,894,013	2,280,110	2,280,110
Courtyard business as usual costs		28,137	28,137	46,542	46,542
Other expenses		2,066,120	2,012,323	2,891,193	2,888,316
		<b>8,860,881</b>	<b>8,807,084</b>	10,768,295	10,765,418

Other operating expenses include:

External auditors' remuneration in respect of audit services		45,756	45,756	46,950	46,950
External auditors' remuneration in respect of audit related services		6,540	6,540	5,700	5,700
External auditors' remuneration in respect of non-audit services		1,107	1,107	4,124	4,124
Internal auditors' remuneration - internal audits		36,578	36,578	40,474	40,474
Operating lease rentals					
Land and buildings		155,422	155,422	154,438	154,438
Other		29,197	29,197	48,691	48,691

The table below shows the expenditure on access and participation in the year.

### Access and Participation

Access Investment (i)		253,065	253,065	355,592	355,592
Financial Support		138,750	138,750	61,500	61,500
Disability Support (ii)		-	-	25,338	25,338
Research and Evaluation (iii)		28,333	28,333	-	-
		<b>420,148</b>	<b>420,148</b>	442,430	442,430

(i) £137,349 of these costs are included in the overall staff costs figures included in the financial statements, see note 7 (2019-20: £126,186)

(ii) £0 of these costs are included in the overall staff costs figures included in the financial statements, see note 7 (2019-20: £25,338)

(iii) £26,333 of these costs are included in the overall staff costs figures included in the financial statements, see note 7 (2019-20: £0)

Relevant information can be found on our website <https://www.rcm.ac.uk/about/governance/strategy/accessdisabilitiesandequalopportunities/>

### 9 Interest and other finance costs

Loan interest		108,923	108,923	126,875	126,875
Loan commitment fee		22,573	22,573	21,117	21,117
Exchange differences		30,543	30,543	(13,251)	(13,251)
Net finance charge on pension schemes					
USS		17,882	17,882	53,387	53,387
RCM Pension and Assurance Scheme		46,000	46,000	63,000	63,000
		<b>225,921</b>	<b>225,921</b>	251,128	251,128



## Notes to the accounts for the year ended 31 July 2021

	Freehold land and buildings	Leasehold land and buildings	Musical instruments	Furniture, equipment and software	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 2020	1,708,781	72,497,552	10,160,258	4,741,704	4,768,084	5,493,790	99,370,169	93,876,379
Additions	-	850,992	187,000	747,371	304,912	38,667	2,128,942	2,090,275
Transfers	-	3,908,899	-	784,997	(4,705,196)	11,300	-	-
Disposals	-	(969,564)	(362,668)	(1,571,408)	-	-	(2,903,640)	(2,903,640)
<b>At 31 July 2021</b>	<b>1,708,781</b>	<b>76,287,879</b>	<b>9,984,590</b>	<b>4,702,664</b>	<b>367,800</b>	<b>5,543,757</b>	<b>98,595,471</b>	<b>93,051,714</b>
<b>Depreciation</b>								
At 1 August 2020	80,233	11,644,811	6,222,585	4,052,518	-	-	22,000,147	22,000,147
Charge for the year	2,846	1,935,767	338,235	294,496	-	-	2,571,344	2,571,344
Disposals	-	(693,374)	(319,687)	(1,571,408)	-	-	(2,584,469)	(2,584,469)
<b>At 31 July 2021</b>	<b>83,079</b>	<b>12,887,204</b>	<b>6,241,133</b>	<b>2,775,606</b>	<b>-</b>	<b>-</b>	<b>21,987,022</b>	<b>21,987,022</b>
<b>Net book value</b>								
<b>At 31 July 2021</b>	<b>1,625,702</b>	<b>63,400,675</b>	<b>3,743,457</b>	<b>1,927,058</b>	<b>367,800</b>	<b>5,543,757</b>	<b>76,608,449</b>	<b>71,064,693</b>
<b>At 1 August 2020</b>	<b>1,628,548</b>	<b>60,852,741</b>	<b>3,937,673</b>	<b>689,185</b>	<b>4,768,083</b>	<b>5,493,790</b>	<b>77,370,020</b>	<b>71,876,230</b>

The additions to leasehold land and buildings relate to the RCM More Music courtyard redevelopment, RCM Museum and the Wolfson Centre in Music and Material Culture. The transfers from assets in the course of construction relate to the RCM Museum.

The remaining assets in the course of construction relate to digital and ICT projects, musical instruments, registry systems and other estates projects.

The fixed asset disposals predominantly relate to the demolition of an existing building as part of the More Music Building Development, as well as fully-depreciated IT and other equipment no longer in use.

	2021	2020	2019	2018	2017
	£	£	£	£	£
<b>11 Heritage assets: consolidated and RCM</b>					
<b>Purchases</b>					
Busts and portraits	49,967	6,875	56,500	11	-
Instruments	-	-	-	6,000	-
<b>Donations</b>					
Busts and portraits	-	-	8,000	-	64,500
<b>Total acquisitions capitalised</b>	<b>49,967</b>	<b>6,875</b>	<b>64,500</b>	<b>6,011</b>	<b>64,500</b>

## Notes to the accounts for the year ended 31 July 2021

	Share of profits of associated undertakings	Loan to associate	Other fixed asset investments	Total
	£	£	£	£
<b>12 Non-current investments: consolidated</b>				
<b>Consolidated: consolidated</b>				
<b>At 1 August 2020</b>	-	1,710,862	45,939,873	<b>47,650,735</b>
Acquisition of shares - less movement in cash held by fund managers	-	-	9,712,832	<b>9,712,832</b>
Cost of disposals	-	-	(7,852,546)	<b>(7,852,546)</b>
Change in market value	-	-	5,239,036	<b>5,239,036</b>
<b>At 31 July 2021</b>	<b>-</b>	<b>1,710,862</b>	<b>53,039,195</b>	<b>54,750,057</b>
<b>Non-current investments: RCM</b>				
			£	£
<b>At 1 August 2020</b>			45,939,873	<b>45,939,873</b>
Acquisition of shares - less movement in cash held by fund managers			9,712,832	<b>9,712,832</b>
Cost of disposals			(7,852,546)	<b>(7,852,546)</b>
Change in market value			5,239,036	<b>5,239,036</b>
<b>At 31 July 2021</b>			<b>53,039,195</b>	<b>53,039,195</b>
<b>Non-current investments: consolidated</b>				
Funds managed by external fund managers:				
Scholarships and awards fund			42,388,975	<b>42,388,975</b>
General fund			7,431,334	<b>7,431,334</b>
Junior department appeal fund			860,084	<b>860,084</b>
			50,680,393	<b>50,680,393</b>
Fund held by Charities Aid Foundation	-	-	83,802	<b>83,802</b>
ABRSM	-	-	2,275,000	<b>2,275,000</b>
Investment in loan to associate	-	1,710,862	-	<b>1,710,862</b>
	<b>-</b>	<b>1,710,862</b>	<b>53,039,195</b>	<b>54,750,057</b>
<b>Split of stock held by external fund managers:</b>				
Fixed interest stocks (listed)			15,989,053	<b>15,989,053</b>
Equities (listed) and unit trusts			28,350,922	<b>28,350,922</b>
Alternatives			3,474,932	<b>3,474,932</b>
Cash held by investment managers			2,865,486	<b>2,865,486</b>
			<b>50,680,393</b>	<b>50,680,393</b>

### Connected charitable institution

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

The impact of Covid on the trading environment for ABRSM has been considerable and it has temporarily suspended donations to RCM and the other members. An impairment review has been carried out by estimating the present value of the future cash flows and concluded that there is no impairment at 31 July 2021.

### 13 Investment in subsidiary company

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

## Notes to the accounts for the year ended 31 July 2021

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
<b>14 Trade and other receivables</b>				
Amounts falling due within one year				
Other trade receivables	4,457	4,457	50,546	50,546
Other receivables	302,624	302,624	312,598	312,598
Prepayments and accrued income	1,498,442	850,547	1,019,457	578,608
Amounts due from subsidiary companies	-	282,747	-	120,696
Amount due from ABRSM	-	-	-	-
	<u>1,805,523</u>	<u>1,440,375</u>	<u>1,382,601</u>	<u>1,062,448</u>
<b>15 Current asset investments</b>				
Term deposits	-	-	2,500,000	2,500,000
	<u>-</u>	<u>-</u>	<u>2,500,000</u>	<u>2,500,000</u>
<b>16 Consolidated reconciliation of net debt</b>				
	At 31 July	At 31 July		
	2021	2020		
	£	£		
<b>Net (debt)/cash 1 August</b>	(1,324,253)	1,741,617		
Movement in cash and cash equivalents	1,217,876	3,771,380		
New unsecured loans	-	(7,000,000)		
Repayment of unsecured loans	2,162,750	162,750		
<b>Net cash/(debt) 31 July</b>	<u>2,056,373</u>	<u>(1,324,253)</u>		
<b>Change in net debt</b>	<u>(3,380,626)</u>	<u>(3,065,870)</u>		
<b>Analysis of net debt:</b>				
<b>Cash and cash equivalents</b>	8,910,811	7,692,935		
Borrowings: amounts falling due within one year				
Unsecured loans	(6,162,750)	(162,750)		
Borrowings: amounts falling due after more than one year				
Unsecured loans	(691,688)	(8,854,438)		
<b>Net cash/(debt)</b>	<u>2,056,373</u>	<u>(1,324,253)</u>		
	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
<b>17 Creditors: amounts falling due within one year</b>				
Unsecured loans	6,162,750	6,162,750	162,750	162,750
Trade payables	345,130	345,130	535,090	535,090
Social security and other taxation payable	265,934	265,934	370,424	370,424
Accruals and deferred income	3,282,733	3,255,393	2,602,874	2,602,874
	<u>10,056,547</u>	<u>10,029,207</u>	<u>3,671,138</u>	<u>3,671,138</u>

## Notes to the accounts for the year ended 31 July 2021

	Note	Year ended 31 July 2021		Year ended 31 July 2020	
		Consolidated £	RCM £	Consolidated £	RCM £
<b>18 Creditors: amounts falling due after more than one year</b>					
Deferred income - PCV lease premium		13,077,275	13,077,275	13,382,186	13,382,186
Deferred income - other		3,637,487	3,637,487	4,183,991	4,183,991
Unsecured loans		691,688	691,688	8,854,438	8,854,438
		<u>17,406,450</u>	<u>17,406,450</u>	<u>26,420,615</u>	<u>26,420,615</u>
Analysis of unsecured loans:					
<b>Due within one year or on demand</b>	17	6,162,750	6,162,750	162,750	162,750
Due between one and two years		162,751	162,751	8,162,750	8,162,750
Due between two and five years		488,250	488,250	488,250	488,250
Due in five years or more		40,688	40,688	203,438	203,438
<b>Due after more than one year</b>		<u>691,688</u>	<u>691,688</u>	<u>8,854,438</u>	<u>8,854,438</u>
<b>Total unsecured loans</b>		<u>6,854,438</u>	<u>6,854,438</u>	<u>9,017,188</u>	<u>9,017,188</u>
Unsecured loans repayable by 2026		6,854,438	6,854,438	9,017,188	9,017,188
		<u>6,854,438</u>	<u>6,854,438</u>	<u>9,017,188</u>	<u>9,017,188</u>
		<b>Amount</b> £	<b>Term</b>	<b>Interest rate</b> %	<b>Borrower</b>
<b>Included in unsecured loans</b>					
The Royal Bank of Scotland		854,438	2026	5.30	RCM
The Royal Bank of Scotland		6,000,000	2022	LIBOR + 0.70	RCM
<b>Total</b>		<u>6,854,438</u>			

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

The College also has a £13m revolving credit facility ("RCF") with RBS expiring in July 2022. The total amount outstanding under this facility at 31 July 2021 was £6m. In October 2021 this facility was replaced by a new £11m RCF for an initial period of three years to October 2024.

	Obligation to fund deficit		
	USS (note 7) £	RCMP&AS (note 27) £	Total £
<b>19 Provisions for pension liabilities (consolidated and RCM)</b>			
At 31 July 2020	2,416,475	3,504,000	5,920,475
Movements in 2020/21	(249,611)	(1,353,000)	(1,602,611)
<b>At 31 July 2021</b>	<u>2,166,864</u>	<u>2,151,000</u>	<u>4,317,864</u>

### Pension enhancement

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

	USS pension	RCM pension
Discount rates	0.87%	1.60%
Salary inflation rates (USS: 2021 to 2037)	2.00% - 2.75%	2.00% - 2.75%

### USS deficit

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

## Notes to the accounts for the year ended 31 July 2021

	Restricted expendable endowments £	Restricted permanent endowments £	2021 Total £	2020 Total £
<b>20 Endowment reserves: RCM</b>				
<b>Balance at start of the year</b>	68,119	41,924,808	<b>41,992,928</b>	45,125,053
Reclassification from unrestricted to restricted reserves		272,848	<b>272,848</b>	-
New endowments	-	376,406	<b>376,406</b>	476,552
Income	2,594,743	1,169,968	<b>3,764,711</b>	3,571,679
Expenditure	(2,546,396)	(1,095,269)	<b>(3,641,665)</b>	(3,913,994)
Increase in market value of investments and realised gains	-	6,132,174	<b>6,132,174</b>	(3,266,362)
<b>Total endowment comprehensive income for the year</b>	<b>48,347</b>	<b>6,856,127</b>	<b>6,904,474</b>	<b>(3,132,125)</b>
<b>Balance at the end of the year: RCM</b>	<b>116,466</b>	<b>48,780,935</b>	<b>48,897,402</b>	<b>41,992,928</b>
<b>Endowment reserves: consolidated</b>				
RCM subsidiary	-	357,153	<b>357,153</b>	453,582
<b>Balance at the end of the year: consolidated</b>	<b>116,466</b>	<b>49,138,088</b>	<b>49,254,555</b>	<b>42,446,510</b>
<b>Analysis by type of purpose: consolidated</b>				
Scholarships	63,462	45,352,183	<b>45,415,646</b>	38,985,688
Prizes	44,710	1,373,363	<b>1,418,073</b>	1,259,639
Junior fellowships	-	1,408,558	<b>1,408,558</b>	1,207,352
RCM Accelerate and instrument fund	-	196,197	<b>196,197</b>	200,382
Other	8,294	807,787	<b>816,081</b>	793,447
	<b>116,466</b>	<b>49,138,088</b>	<b>49,254,555</b>	<b>42,446,509</b>
<b>Analysis by asset type: consolidated</b>				
Investments	-	49,138,088	<b>49,138,089</b>	42,378,390
Cash	116,466	-	<b>116,466</b>	68,119
	<b>116,466</b>	<b>49,138,088</b>	<b>49,254,555</b>	<b>42,446,509</b>
<b>21 Restricted reserves: consolidated and RCM</b>				
<b>Balance at 1 August 2020</b>		353,964	<b>353,964</b>	16,194,006
New donations		-	-	1,745,155
Expenditure		(4,037)	<b>(4,037)</b>	(46,542)
<b>Total restricted comprehensive income for the year</b>		<b>(4,037)</b>	<b>(4,037)</b>	1,698,613
Release of funds on completion of Courtyard redevelopment		-	-	(17,538,655)
<b>At 31 July 2021</b>		<b>349,927</b>	<b>349,927</b>	<b>353,964</b>
<b>Analysis of other restricted funds/donations by type of purpose</b>				
Scholarships			<b>349,927</b>	353,964
			<b>349,927</b>	<b>353,964</b>

These reserves are all held as cash and cash equivalents.

## Notes to the accounts for the year ended 31 July 2021

	31 July 2021		31 July 2020	
	Consolidated £	RCM £	Consolidated £	RCM £
<b>22 Capital and other commitments</b>				
Commitments contracted for	35,595	35,595	-	-
Commitments not yet contracted for but approved by RCM Council	812,483	812,483	1,748,297	1,748,297
	<b>848,078</b>	<b>848,078</b>	<b>1,748,297</b>	<b>1,748,297</b>

Provision has not been made for the capital commitments shown above at 31 July 2021.

### 23 Revaluation reserve

	Tangible assets £	Heritage assets £	Investments £	Total £
Balance at 1 August 2020	3,607,115	4,926,000	5,290,178	13,823,293
Transferred to income and expenditure reserve	(219,292)	-	-	(219,292)
Unrealised gain on investments	-	-	758,217	758,217
<b>Balance at 31 July 2021</b>	<b>3,387,823</b>	<b>4,926,000</b>	<b>6,048,395</b>	<b>14,362,218</b>

### 24 Lease obligations

Consolidated and RCM	31 July 2021		31 July 2020	
	Land and Buildings £	Other leases £	Total £	Total £
Total rentals payable under operating leases:				
<b>Paid during the year</b>	<b>155,422</b>	<b>29,197</b>	<b>184,619</b>	203,129
<b>Future minimum lease payments due</b>				
Not later than 1 year	151,615	29,229	180,844	187,125
Later than 1 year and not later than 5 years	14,820	49,235	64,055	236,734
Later than 5 years	1,076,535	-	1,076,535	1,080,240
<b>Total lease payments due</b>	<b>1,242,970</b>	<b>78,464</b>	<b>1,321,434</b>	1,504,099

### 25 Related party transactions

The total amount of donations received without conditions from Trustees and Related Parties was £181,465.

During the year, the RCM received services from the Association of British Orchestras of £1,332, of which James Williams is the Director and an appointed member of the RCM Council. There were no other related party transactions, other than normal transactions with the Associated Board of the Royal Schools of Music and with Queen Alexandra House (QAH), the lessor for RCM Jay Mews. Aida Berhamovich, the Director of Estates, sits on the Board of QAH. No payments were paid to Council members for serving as Council members and there were no expenses paid to Council members other than routine expenditure on services provided for the Council members collectively.

### 26 Subsidiary undertakings

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

# Notes to the accounts for the year ended 31 July 2021

## 27 Pension schemes

### Pension schemes and assumptions

The RCM has employees participating in one of four schemes:

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

In 2020/21 total employer's and employees' pension contributions were £3.3 million (£3.6 million in 2019/20).

Under the provisions of FRS 102 section 28 "employee benefits", both USS and TPS are multi-employer defined benefit pension schemes. The USS has provided employers with a standard methodology for calculating their share of the agreed funding deficit plan and we have used this methodology to account for these liabilities in line with FRS 102. The RCM is unable to identify its share of the underlying assets and liabilities of TPS and we have accounted for contributions to this scheme as though it is a defined contribution scheme. The RCMP&AS is a closed defined benefit scheme, and NEST is a defined contribution scheme for those staff who are not eligible to join TPS or USS.

	TPS	USS	RCMP&AS
<b>Assumptions used to determine contribution</b>			
Investment returns per annum	4.45%	CPI + 1.64%*	1.8 - 3.8%
Salary increase per annum	4.20%	RPI + 2%	3.50%
Pension increase per annum	2.00%	CPI ***	3.20%
Market value of assets at date of last valuation	£196 billion	£63.7 billion	£14.0 million
Scheme liabilities	£218 billion	£67.3 billion	£17.6 million
Shortfall	£22 billion	£3.6 billion	£3.6 million
Scheme specific funding level	90%	95%	79%
Date of last actuarial valuation	31-Mar-16	31-Mar-18	01-Aug-19
Date of next actuarial valuation	31-Mar-20 **	31-Mar-20 **	01-Aug-22
Employer's and employees' pension contribution rates			
Employer's contribution rate	23.68%	21.1%	not applicable
Employees' contribution rate	7.4% to 11.7%	9.6%	not applicable

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

\*\* the last available complete actuarial valuations for both TPS and USS were as at 31 March 2016 and 31 March 2018 respectively (the valuation date). A further valuation as at 31 March 2020 for both TPS and USS are currently underway but not yet completed.

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

	Employer's £000s	Employees' £000s	2021 Total £000s	2020 Total £000s
<b>RCM pension contributions</b>				
Teachers' Pension Scheme	935	358	1,293	1,271
Universities Superannuation Scheme	1,076	528	1,604	1,723
National Employment Savings Trust	24	33	57	53
	<b>2,035</b>	<b>919</b>	<b>2,954</b>	<b>3,047</b>
RCM Pension & Assurance Scheme	375	-	375	587
	<b>2,410</b>	<b>919</b>	<b>3,329</b>	<b>3,634</b>

# Notes to the accounts for the year ended 31 July 2021

---

## Pension schemes (continued)

### Universities Superannuation Scheme

The RCM participates in the USS, a contributory, defined benefit scheme (with a salary threshold, above which a defined contribution scheme is available), which is valued every three years by professionally qualified independent actuaries using the projected unit method. Membership is automatic for support staff, although, members may choose to opt out of the scheme. Contribution rates are determined by the trustees on advice of the actuaries. The most recent actuarial valuation was at 31 March 2018, which was the fifth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of scheme assets was £63.7 billion and the value of the technical provisions was £67.3 billion giving a shortfall of £3.6 billion. Therefore the assets were sufficient to cover 95% of benefits which had accrued to members after allowing for expected future increases in earnings.

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

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

FRS 102 distinguishes between a group plan and a multi-employer scheme. A group plan is a collection of entities under common control, typically, with a sponsoring employer. A multi-employer scheme is for entities not under common control and represents, typically, an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit, results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in that employer's surplus or deficit. The RCM is satisfied that the scheme provided by the USS meets the definition of a multi-employer scheme and has recognised the discounted fair value of contractual contributions under the funding plan in existence at the date of approving the financial statements. A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. 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 21.1%

#### Assumptions made by RCM

- salary inflation 2.00% - 2.75% to 2037 (cost of living and incremental drift)
- increase in staff 1.00% to 2037 (0% in 2021 and 2022)
- discount rate 0.87%

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. In October 2021, the 2020 valuation was completed with a new provisional deficit recovery plan which is subject to consultation: this will be reflected in next year's financial statements. In October 2021 employer contributions increased from 21.1% to 21.4% in line with the new provisional deficit recovery plan.



# Notes to the accounts for the year ended 31 July 2021

## Pension schemes (continued)

### Teachers' Pension Scheme

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

The Government Actuary carries out formal actuarial reviews of TPS to ascertain the level of future contributions. The last review was carried out as at 31 March 2016 and at the date of this review the scheme had a funding shortfall of £22 billion and a recovery plan to pay off this shortfall was adopted. Key assumptions are shown in the table above, other assumptions include a real rate of return on investments of 4.45% and a real rate of salary growth of 4.2% above CPI.

Employee contributions are based on tiered contribution rates dependent on salary bandings based on a full-time equivalent and the contribution rates as at 31 July 2021 ranged from 7.4% to 11.7%.

### National Employment Savings Trust (NEST)

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

### RCM Pension & Assurance Scheme

The RCMP&AS is a closed scheme with 62 pensioners and 97 deferred members of whom 14 are current RCM employees. The Scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, and in the intervening years, the actuary reviews progress of the Scheme. The most recent actuarial valuation was at 1 August 2019. At 1 August 2019 the scheme had a funding shortfall of £3.7 million and the RCM Council has agreed a recovery plan to pay off the shortfall over eight years and one month from the effective date of the valuation, with the contribution being £31,250 per month from 1 August 2020 to 31 August 2027, increasing each August in line with inflation. The RCM accounts for the RCMP&AS in accordance with FRS 102 section 28.

#### Assumptions

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

	At 31 July 2021 %pa	At 31 July 2020 %pa
Price Inflation (RPI)		
- pre-retirement	3.60	3.30
- post-retirement	3.50	3.10
Price Inflation (CPI)	2.90	2.50
Rate of increase in salaries	2% - 2.75% *	2.75
Rate of increase of pensions in payment for members in relation to post	3.00	3.00
Discount rate	1.40	1.40

\* 2% pa for the next 5 years and 2.75% pa thereafter.

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 2020	86.8	88.7	88.2	90.2
At 31 July 2021	86.9	88.8	88.2	90.3

The 2021 balance sheet includes a provision of 2% (2020: 2%) of the value of the liabilities in respect of the requirement to equalise for the effect of unequal Guaranteed Minimum Pensions.

# Notes to the accounts for the year ended 31 July 2021

## Pension schemes (continued)

### RCM Pension & Assurance Scheme (continued)

#### Scheme assets

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

	31 July 2021 £000s	31 July 2020 £000s
<b>Scheme assets</b>		
Equities	3,179	2,489
Corporate bonds	1,128	1,100
Liability-driven investment	4,652	4,153
Multi-asset funds	3,065	2,751
Multi-asset Credit funds	2,652	2,973
Cash	276	505
Insured pensions	966	1,106
Total	<u>15,918</u>	<u>15,077</u>
<b>Analysis of the amount shown in the balance sheet:</b>		
Scheme assets	15,918	15,077
Scheme liabilities	<u>(18,069)</u>	<u>(18,581)</u>
<b>Scheme deficit: net pension liability shown in pension provisions</b>	19 <u>(2,151)</u>	<u>(3,504)</u>
<b>Analysis of the amount charged to operating profit</b>		
Past service costs	<u>-</u>	<u>(57)</u>
<b>Total operating charge</b>	<u>-</u>	<u>(57)</u>
<b>Analysis of the amount charged to interest payable</b>		
Net interest on net defined benefit liability	<u>(46)</u>	<u>(63)</u>
<b>Net charge to other finance income</b>	<u>(66)</u>	<u>(66)</u>
<b>Analysis of other comprehensive income</b>		
Experience (loss)/gain on liabilities	331	(1,445)
Gain on assets	<u>700</u>	<u>755</u>
<b>Total before deduction for tax</b>	<u>1,031</u>	<u>(690)</u>
<b>Analysis of movement in the present value of liability</b>		
<b>Present value of liabilities at the start of the year</b>	18,581	17,162
Past service cost	-	57
Interest cost	257	356
Actuarial loss/(gain)	(331)	1,445
Actual benefit payments	<u>(438)</u>	<u>(439)</u>
<b>Present value liabilities at the end of the year</b>	<u>18,069</u>	<u>18,581</u>

## Notes to the accounts for the year ended 31 July 2021

---

### Pension schemes (continued)

<b>RCM Pension &amp; Assurance Scheme (continued)</b>	<b>31 July 2021</b>	<b>31 July 2020</b>
	<b>£000s</b>	<b>£000s</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>15,077</b>	13,878
Interest income	211	293
Actuarial gain on assets	700	755
Actual contributions paid	368	590
Administration expenses	-	-
Actual benefit payments	<b>(438)</b>	<b>(439)</b>
<b>Fair value of scheme assets at the end of the year</b>	<b><u>15,918</u></b>	<b><u>15,077</u></b>
 <b>Actual return on Scheme assets</b>		
Gain on assets	700	755
Interest income	211	293
	<b><u>911</u></b>	<b><u>1,048</u></b>