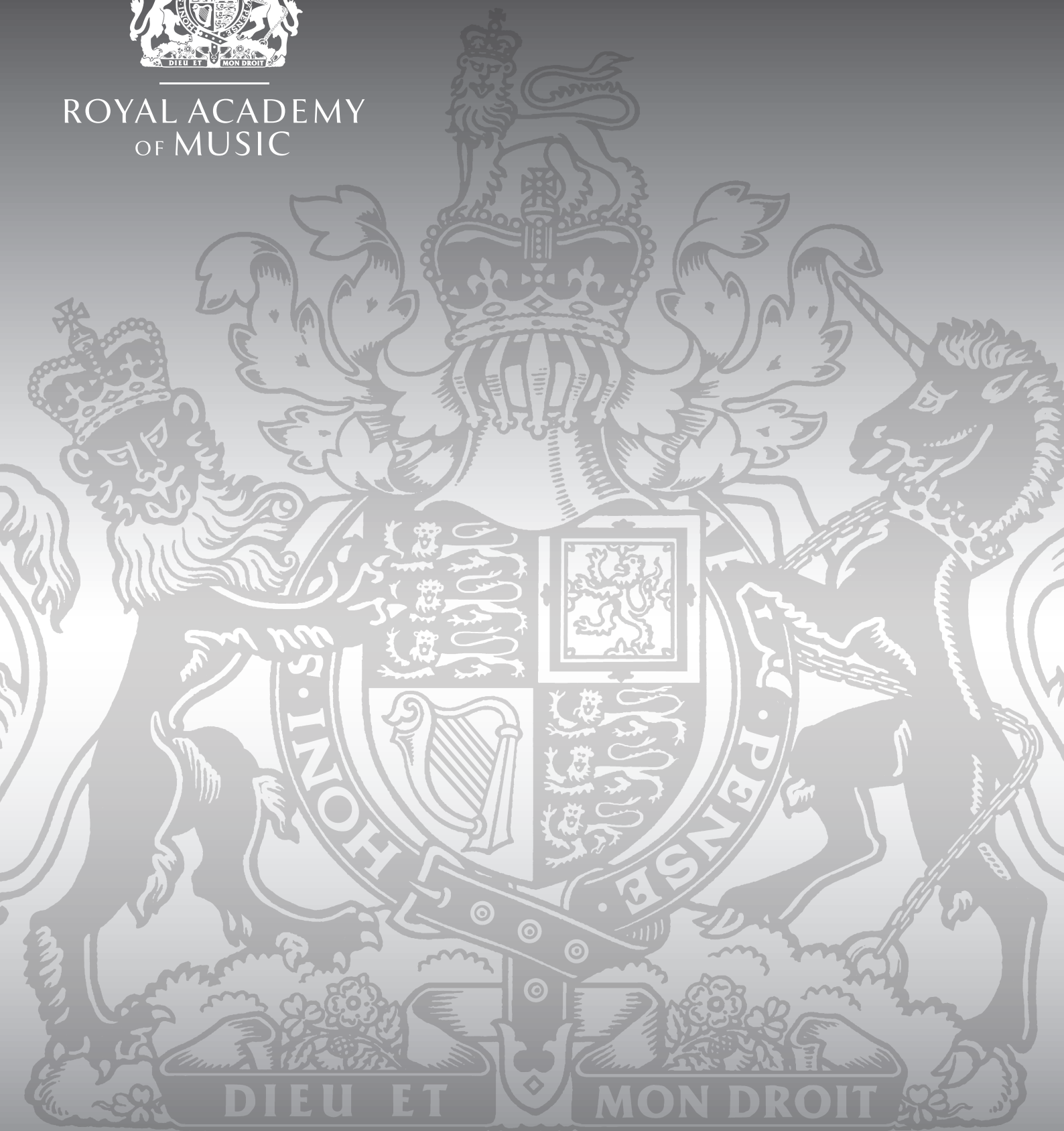




ROYAL ACADEMY
OF MUSIC



ANNUAL REVIEW AND FINANCIAL STATEMENTS

FOR YEAR ENDING 31 JULY 2019



Graduation July 2019 (Photo: Frances Marshall)

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Foreword from the Principal



Professor Jonathan Freeman-Attwood
(Photo: Chris Christodoulou)

Preparing students for a career in music is our central objective. Alongside the delivery of intensive, high-level artistic training, we also offer professional development support that teaches students how to make the most of their talent in a demanding, ever-expanding industry. The sheer breadth of collaborative opportunities lay the groundwork for the variety of life as a musician. We measure our success by our impact and influence on the music world.

As Britain's oldest conservatoire the Academy is steeped in tradition, but it is also one of the most progressive musical institutions in the world. Students have access to cutting-edge technology in our beautiful performance spaces, our programming is ground-breaking and, in all our disciplines from classical to musical theatre, jazz and composition, we ask students to explore their musical horizons to the limit. We remain fully focused on our core business: identifying talented young artists, offering them the best possible teachers and performance opportunities and giving them the tools to lead creative, varied and fulfilling musical lives. From Chance to Play and First Strings through Junior Academy to undergraduate and postgraduate studies, we train over 1,250 students aged between four and 26.

We encourage the free exchange of ideas across all boundaries, both intellectual and physical. Our commitment to sharing information, knowledge and artistry with peer institutions and musicians is an integral part of our identity. Our collaborations with The Juilliard School and growing relationships with Sibelius Academy, Shanghai Conservatory, Tokyo University of the Arts, Glenn Gould School in Toronto and the University of Music and Performing Arts in Vienna, are based on our shared values of artistic and educational excellence. We remain dedicated to offering the very best education to students from all over the world and will do everything in our power to make sure that European students, staff and audiences continue to be welcomed as part of the Academy's cosmopolitan family.

The Academy is more committed than ever to widening participation and supporting students from all backgrounds. We continue to work hard to make music more accessible through our recruitment at all levels and the wide-ranging activities of our students, both in the UK and internationally. We have again delivered more than 500 performances this year, the majority of which were free of charge. By taking music out into the community, Open Academy reaches ever further, raising aspirations, making connections and challenging preconceptions via a range of projects delivered with partner schools and organisations.

Professor Jonathan Freeman-Attwood CBE
Principal



ROYAL ACADEMY OF MUSIC

About Us

The Royal Academy of Music was established in 1822 and granted a Royal Charter in 1830 (Supplemental Charter granted in 1998). The Academy is a registered charity, number 310007, and a company registered with Companies House, number RC000438. The Academy is registered with the Office for Students as a higher education provider.

Patron HM The Queen

President HRH The Duchess of Gloucester GCVO Hon FRAM

Vice Presidents Lord Burns GCB Hon FRAM
Sir Elton John CBE Hon RAM, DMus
Sir David Lumsden MA DPhil, Hon RAM, Hon FRCO
Sir Curtis Price KBE Hon RAM

Governing Body

Independent Members of the Governing Body (Trustees)

Chair Dame Jenny Abramsky CBE DBE Hon RAM

Deputy Chair Lady Sainsbury of Turville CBE Hon FRAM, FSA

Deputy Chair The Rt Hon Lord Sumption OBE PC FSA, FRHistS, Hon FRAM

Lord Blackwell

John Burgess Hon FRAM

Robin Butler Hon FRAM

Lucy Crowe FRAM

Amanda Hill (resigned May 2019)

Rehmet Kassim-Lakha

Luke Lloyd Davies (appointed September 2019)

Timothy Parker

Professor Sir Richard Trainor KBE BA, MA, DPhil, FKC, Hon FRAM

The Duchess of Wellington OBE (appointed September 2019)

William de Winton

Damian Wisniewski BSc(Eng), ACGI, LRAM, ACA

Academic Staff Representatives Melanie Ragge MPhil (Cantab), MA (Cantab), LRAM, Dip RCM
Jon Thorne

Administrative Staff Representative Kathryn Adamson MA, Hon FRAM

Student Union President and Student Representatives Peter Cowlshaw (retired July 2019)
Stephen Payne (appointed August 2019)

Secretary to Governing Body Sandra Green Hon ARAM

Senior Management Team

Principal Professor Jonathan Freeman-Attwood CBE BMus, MPhil, Hon RAM, FKC, FRNCM, FRCM

Deputy Principal and Dean Mark Racz BA, MFA, Hon FBC, Hon RAM

Deputy Principal – Programmes and Research Professor Timothy Jones MA, DPhil, LTCL, Hon RAM

Deputy Principal – Advancement Kirsty MacDonald BA, MA Oxon

Director of Finance Judith Barber BSc, CPFA, Hon ARAM

Administrative Information

Registered Office	Marylebone Road, London NW1 5HT
External Auditors	Mazars LLP Chartered Accountants and Statutory Auditors 90 Victoria Street, Bristol BS1 6DP
Internal Auditors	Scott-Moncrieff Exchange Place 3, Semple Street, Edinburgh EH3 8BL
Bankers	Lloyds Bank plc 25 Gresham Street, London EC2V 7HN
Investment Fund Managers	Cazenove Capital 12 Moorgate, London EC2R 6DA
Legal Advisers	Veale Wasbrough Vizards LLP Narrow Quay House, Narrow Quay Bristol BS1 4QA

Trustee Committee Membership as at 1 September 2019

Audit Committee Chair Damian Wisniewski Robin Butler Rehmet Kassim-Lakha (to 31 July 2019) Lady Sainsbury (from 1 September 2019)	Finance and General Purposes Committee Chair Lord Blackwell John Burgess Timothy Parker William de Winton
Gift Acceptance Committee Chair Dame Jenny Abramsky The Rt Hon Lord Sumption Professor Sir Richard Trainor	Honours and Awards Committee Chair Dame Jenny Abramsky Lucy Crowe
Nominations Committee Chair Dame Jenny Abramsky Lady Sainsbury The Rt Hon Lord Sumption	Remuneration Committee Chair Lord Blackwell Dame Jenny Abramsky Rehmet Kassim-Lakha

Honorary Trustees

The title of Honorary Trustee is awarded to retired Independent Members of the Governing Body to recognise their distinguished service to the Academy.

Lord Armstrong of Ilminster GCB CVO Hon FRAM	William Robert C Ogden Hon FRAM
Sir Rodric Braithwaite GCMG Hon FRAM	Professor Roger Parker Hon FRAM
The Rt Hon Lord Carnwath CVO Hon FRAM	Christopher Purvis CBE
Sir Howard Davies Hon FRAM	Sir John Ritblat Hon FRAM
Matthew Ferrey Hon FRAM	Sir Simon Robey Hon FRAM
Lesley Garrett CBE FRAM	Lady Smith OBE Hon FRAM
Sam Gordon Clark CBE Hon FRAM	Sir Martin Smith Hon FRAM
Lady Heywood	Nicholas Snowman OBE Hon FRAM
Professor Sir Barry Ife CBE FKC FBbk, Hon FRAM, FRCM, FGS	Sir James Spooner Hon FRAM (died August 2019)
Steven Isserlis CBE Hon RAM	John Suchet Hon FRAM
Dame Felicity Lott DBE FRAM, FRCM	Anthony Travis Hon FRAM
George Nissen CBE Hon FRAM	John Willan FRAM
	Julia Yorke Hon FRAM

Operating and Financial Review for the Year Ending 31 July 2019

The Governors and Trustees of the Royal Academy of Music present their Annual Review and audited Financial Statements for the year ended 31 July 2019 and confirm that they comply with the requirements of the Charities Act 2011, the Academy's Royal Charter and the Statement of Recommended Practice 'Accounting for Further and Higher Education' (SORP 2015).

Mission

The Academy's mission is to provide pre-professional, undergraduate and postgraduate musical training of the highest national and international standards and to enrich musical culture by training and educating the most talented musicians.

Vision and Values

Our vision is for the Academy to be the conservatoire of choice for top global talent aspiring to a successful, creative, professional career.

Quality and equality are at the core of our values, underpinning all of our activities. The Academy operates in a spirit of professionalism, collaboration and openness, and promotes an inclusive learning and working environment in which all students, staff and visitors are welcomed. We support students and staff in challenging and removing any form of prejudice or discrimination, and in promoting equality and diversity, which in turn enriches the teaching, learning, artistic and social environment.

Public Benefit

The Academy operates under the terms of its Royal Charter, granted in 1830, and its Objects are 'to promote the Cultivation of the Science of Music and to afford facilities for attaining perfection in it by assisting with general instruction all persons desirous of acquiring a knowledge thereof'.

The Academy makes a significant contribution to the public benefit via its teaching, research, performances and other activities, in terms of:

- The advancement of education.
- The advancement of the arts, culture and heritage.

The Advancement of Education

The Academy contributes to the advancement of education through its programmes of study; its calendar of publicly accessible performances and research events; its outreach events designed to encourage learners from traditionally low-participation sectors of the community to participate in music education and higher education; and the conservation, display, interpretation, and practical use of its collections to educational ends.

We are committed to providing a range of long-term outreach activities targeted at groups that are under-represented in higher education. This includes working collaboratively to raise aspirations to make music more accessible, through our recruitment at all levels and the wide-ranging activities of our students, both in the UK and internationally. By taking music out into the community and providing high level musical tuition to children and young people, our Open Academy and Junior Academy departments reach ever further, raising aspirations, making connections and challenging preconceptions via a range of projects delivered with partner schools and organisations.

The Advancement of Arts, Culture and Heritage

Our core activities advance arts, culture and heritage by finding the most promising British and international musical talent and nurturing it through the delivery of world-class education and vocational training, producing exceptional artists who will shape the future of music in this country and beyond. We support the UK's cultural infrastructure, generate development in the cultural industries, and provide international leadership in music:

- By collaborating with leading venues and ensembles, supporting musical research, commissioning new music and bringing before the public new and unfamiliar work, the Academy enriches the UK's musical culture.
- Through the preservation, display and use of its collection of musical artefacts, the Academy contributes to the advancement of the UK's musical heritage.

Every day of the week during the academic year there are performances open to the public, taking place in venues throughout the Academy, and in external venues such as the Royal Albert Hall, Royal Festival Hall and Wigmore Hall. The majority of performances at the Academy were free of charge. During 2018-19 our audience at concerts, recitals, masterclasses, lectures and other events was c48,600.

The Academy aims to enrich musical culture by:

- Educating and training the most talented students to the highest standards in performance, composition and other music-related disciplines. We offer full-time programmes of study at undergraduate and postgraduate level and ambitious student-centred artistic programmes. In addition, our Junior Academy is a fundamental and integral part of the Academy and continues to provide music education of the highest quality through its First Strings and First Guitar Experience, Primary Academy and Junior Academy programmes to those aged 4 to 18.
- Enabling public engagement through a wide range of public performances, research events and outreach activities designed to enhance pre-tertiary music educational opportunities and encourage wider access to higher education.
- Promoting the creation of new music, original research and scholarship in music through publications, conference and study days, programmes of symposia, recordings and public performances.
- Conserving significant and globally renowned heritage collections in the field of music that support our educational purposes. The Academy's museum is open to the public and our collections are available for consultation by researchers from outside the Academy. The museum mounted a series of annual exhibitions and study events in 2018-19, including 'Hitting the Right Note: Amazing Women of the Academy' which celebrated the achievements of women associated with the Academy over its 200-year history.

Access and Participation

The Academy is aware of the need to ensure that people from all backgrounds can benefit from its activities and that those in financial hardship are not excluded from the opportunity to benefit. In the year to 31 July 2019, the Academy invested £4.6m from our endowment income and other funds raised by the Development Department in scholarships and financial support for talented musicians, many of whom could not otherwise afford to attend the Academy. The Academy is seeking ways to grow the endowment to allow us to support even greater numbers of students. We recognise that not everyone has the same level of educational opportunity, support or information, and we continue to develop our successful access initiatives through the work of the Junior Academy and through Open Academy, our outreach department.

We are strongly committed to access and participation. Although our admissions procedures are highly competitive, at undergraduate level we audition every candidate who applies, without exception. Offer-making decisions are undertaken by experienced and suitably trained professionals who understand and are invested in our institutional strategy regarding access and participation.

Like all conservatoires in the UK, our programmes are only accessible to applicants who have already achieved a very high standard in their instrumental discipline or show clear promise of doing so. The overall decline in the availability of A-level music in schools and in the number of students taking this qualification is a concern, and means that most applicants who have not had the advantage of high-quality tuition over a period of many years prior to application are disadvantaged. Nevertheless, the Academy remains committed to access and participation both in our programmes of study and for the purposes of raising aspiration and introducing music to young people through our Open Academy and Junior Academy departments. As a joint owner of the Associated Board of the Royal Schools of Music (ABRSM), the Academy is both strategically and financially committed to providing bursaries at both junior and senior levels, as well as co-contributing to regional schemes to identify and support young musicians from underrepresented areas.

The Academy has a demonstrable commitment to outreach with a view to fostering greater diversity in its student population. There is, however, much work to be done to put mechanisms in place in order to

ensure that we are using our higher fee income in ways that can demonstrate an impact. Owing to the length of time it takes to train the average musician to the level required for conservatoire study, the impact from early intervention activities will only be seen many years later. We have seen increased student diversity in recent years, but this has been as a result of taking tactical measures. We are now in the process of embedding procedures together with robust evaluation programmes to ensure that our activities remain effective. The Academy acknowledges that a firmer strategic approach is now required in order to support the OfS' aim of eliminating gaps in access, continuation, and success in higher education.

The Academy has invested heavily in and seen a significant expansion of our widening participation and community-focused activity in recent years. In this context, the main challenge we face and the key strategic priority for the Academy is in relation to access. As shown by a recent study jointly commissioned with the Royal College of Music, there is a worrying decline in the availability of A-level music in some regions of the UK. Our aim is to identify and implement effective ways to enable talented candidates from underrepresented groups to regard the Academy as an obvious place in which they can study and to put provision and support in place prior to application to enable them to gain entry. Once admitted to our BMus programmes all students are as likely to succeed, regardless of background. This is due to the high standard required to enter the Academy, the intensive nature of the training, coaching and mentoring that students receive and the academic and pastoral support that underpins this delivery.

New branding and a thorough review of all digital and printed content have resulted in clear, accessible information about the Academy's work, impact and offering to students. An annual report was published in 2019 outlining impact during the year ended 31 July 2018.

Strategic Plan

Our Strategic Plan was revised during 2019 and sets out priorities for the Academy over the five-year period 2019 to 2024. The plan was developed in consultation with members of the Senior Management Team (SMT), senior academics and professional services staff and has been approved by the Governing Body.

In drawing up our Strategic Plan the Governing Body has had due regard to the Charity Commission's public benefit guidance in considering our objectives and activities. The Strategic Plan is reviewed on an annual basis and progress is monitored, and we will undertake a thorough review of it during 2024.

Equality and Diversity

The Academy promotes an inclusive learning and working environment in which all students, staff and visitors are welcomed. Students and staff are selected, taught, trained, assessed, appraised, promoted and otherwise treated on the basis of their relevant merits and ability, with individual needs recognised and supported.

Measuring and Reporting Progress

We are presenting our review based on the three themes of our Strategic Plan:

1. Education

Through our commitment to providing a world-class educational experience, we will continue to equip outstanding young musicians with the skills, artistry, intellectual curiosity, rigour and resilience they will need to contribute to music making at the highest levels.

2. People and Resources

By attracting and retaining outstanding teaching and professional services staff, developing our world-class facilities, embracing new technologies and carefully managing our financial resources, we will secure the future of the Academy, ensuring it thrives in an ever-evolving cultural and social landscape.

3. Engagement

In our role as custodians of the future of music, we recognise the importance of encouraging participation at every level. We are committed to enabling students from underrepresented backgrounds to access conservatoire training, expanding our relationships with the wider community and engaging with artistic and educational partners from around the world.

Although many activities support more than one strand of our strategic themes and could be included within two or three of them, we have tried to capture them within the most relevant area to avoid repetition.

1. Education

The Academy was founded in 1822, and ever since has trained versatile and resourceful musicians with the skills they need in the continually changing music profession.

We continue to refine our programmes to ensure that students acquire the craft, skills, knowledge and experience to enable them to become independent, creative musicians who can make a significant impact. Alongside that, we foster a research environment that encourages collaboration between students and staff, promoting innovative creative work in all our taught and research degree programmes. Both of these rely heavily on the quality of our teachers, and we will continue to recruit and retain the very best, supporting them with professional development opportunities.

We welcome students from over 50 countries, which contributes to a vibrant and cosmopolitan learning environment, and reflects the global music profession. By continuing to raise our international profile, improving our student recruitment marketing and building on our relationships with like-minded institutions worldwide, we aim to be the conservatoire of choice for the most talented young musicians. Financial support in the form of bursaries and merit-based scholarships is provided to enable the very best students to study at the Academy, regardless of their background.

A key part of the student experience at the Academy is the range and quality of artistic projects in which our students work intensively with leading professionals. Our roster of visiting professors and visiting artists continues to be expanded and refined to enrich our students' education and to ensure that our graduates leave with experience of the professional realities of a high-level career in music. In addition, the range of both side-by-side opportunities for our students to work with leading international ensembles, and opportunities for our student composers to participate in external collaborative projects, is being increased.

Students are involved in over 500 events a year, from intimate solo and chamber performances to orchestral concerts, staged operas, musicals and festivals. These take place at the Academy and in world-famous venues such as the Royal Albert Hall, Royal Festival Hall and Wigmore Hall, enabling us to reach and inspire wider audiences.



The Academic Year

We invite world-renowned musicians and educators to work with our students in a wide range of masterclasses, projects and concerts.

The Czech Philharmonic's collaboration with the Academy was a highlight of Czech Week in London in October, with chamber concerts, masterclasses and an Open Academy project, culminating in a performance by the Czech Philharmonic conducted by Semyon Bychkov in his first season as Chief Conductor and Music Director of the Orchestra. Academy students performed alongside members of the Orchestra in Smetana's *The Bartered Bride* Overture. An ongoing educational partnership with the Orchestra was announced in April, which has been designed as a platform to prepare instrumental students for professional life. Each year selected members of the Czech Philharmonic will be in residence at the Academy, working with students in a programme of masterclasses, professional audition sessions, and side-by-side chamber music and orchestral concerts.

The autumn term included *Music of Exile: Revival and Restoration*, the Academy's first in a series of collaborations with the Glenn Gould School of Canada's Royal Conservatory. Students from both conservatoires were joined by members of the ARC Ensemble (Artists of the Royal Conservatory) to perform music by five composers whose lives were deeply affected by National Socialism and the exile of Jewish composers during the 1930s. In November, *Spaced*, an exploration of music with architecture, space, motion, movement and image, took audiences on a series of journeys through the Academy's 'spaces', from concert halls to corridors and stairwells. The series featured live performances and week-long installations by composition students.

The Kohn Foundation/Royal Academy of Music *Bach Cantata Series* drew to a close in December 2018, completing more than 200 sacred and secular cantata performances in the Duke's Hall over 10 years. The Academy has had a strong identification with Bach since 1822, including dozens of first performances outside Germany, and we were delighted to be able to continue exploring his music through a new series entitled *Bach the European: from Ancient Cosmos towards Enlightenment*. This series was launched in February 2019 with *St Matthew Passion* directed by Trevor Pinnock, and aims to place Bach in a productive and challenging new context. Classic FM shared our link to this concert on the Academy's Facebook page and as a result the concert reached an estimated 181,000 people from across the world, with over 21,000 watching the stream and 4,000 reacting, commenting, sharing or clicking on the post. This was a major success and we hope to do more to expand the reach of our very best events leading up to the Bicentenary in 2022.

Other events during the spring term included Academy Symphony Orchestra concerts conducted by Marin Alsop, Sir Mark Elder, and John Wilson in his first major concert at the Academy. Marin Alsop's concert was also streamed live on Facebook, reaching over 145,000 people. A number of Academy students accompanied Marin to the World Economic Forum in Davos where they played in her Taki Concordia Women's Orchestra. The Academy Big Band's Tribute to Steely Dan played to a sold out audience in the Susie Sainsbury Theatre in late January, and was followed by a concert with Keith Nichols of 1930s Benny Goodman arrangements.

The Virtual Conservatoire project, funded by HEFCE, concluded in March with a specially commissioned show curated by immersive theatre makers Raucous. *Otis and Eunice* is a unique creative collaboration – a multi-location theatrical performance with six music, dance and drama institutions (the Academy, Royal College of Music, Bristol Old Vic Theatre School, London Academy of Music and Dramatic Art, Royal Academy of Dramatic Art and Central School of Ballet) – which was performed at the Britten Theatre, Royal College of Music.

Royal Academy Opera has an outstanding reputation for training some of the most talented singers for professional operatic careers. This year's highly acclaimed productions were all performed in the new Susie Sainsbury Theatre: Handel's *Semele* in November; the double bill Tchaikovsky's *Iolanta* and Ravel's *L'enfant et les sortilège* in March 2019; and Janáček's *The Cunning Little Vixen* in May 2019.

The Academy's intensive one-year postgraduate Musical Theatre programme prepares students for a professional career and our graduates enjoy outstanding success in major West End shows and international productions. Disney Theatrical Productions again funded scholarships for Musical Theatre students from minority ethnic backgrounds, enabling outstandingly talented artists to take advantage of the world-class training and opportunities that the Academy has to offer. Musical Theatre productions during the year were *The Wild Party* in June and *City of Angels* in July, each followed by Musical Theatre Cabaret events in the Angela Burgess Recital Hall.

Professor Joanna MacGregor, Head of Piano, presented the first Autumn Piano Festival at the end of October, which focused on the works of Bach, Brahms and Debussy, and the four-day Summer Piano Festival at the beginning of July, included works from Bach, Prokofiev and Steve Reich to chamber music and mixed-media collaborations, ending with concertos for two pianos and orchestra by Mozart and Poulenc.



Iolanta, March 2019 (Photo: Bob Workman)

Summer term highlights also included the extraordinary production of Stockhausen's *Donnerstag aus Licht* at the Royal Festival Hall in which the Academy's Manson Ensemble performed alongside London Sinfonietta and the soloists of Le Balcon.

The Academy featured at this year's BBC Proms, uniting with The Juilliard School on 22 July with Edward Gardner conducting the UK premiere of Icelandic composer Anna Thorvaldsdottir's *Metacosmos* – premiered by the New York Philharmonic in 2018 – and Stravinsky's *The Rite of Spring* with James Ehnes performing Britten's Violin Concerto. Ryan Wigglesworth's Knussen Chamber Orchestra made its Proms debut on 9 September, conducted by Edward Gardner, with an Academy-focused programme. The Knussen Chamber Orchestra pays homage to Academy composers past and present and the programme included three works by the late Oliver Knussen: the *Fantasia after Purcell ...upon one note*, *Songs without Voices* and *Study for Metamorphosis*. The programme also included Sir Harrison Birtwistle's *Fantasia upon all the notes*, a world premiere of *Naiad* by doctoral student Freya Waley-Cohen, and Hans Abrahamsen's *Herbstlied*.

At the start of the year a generous benefactor committed to donate up to £1.7 million to fund 40 students to study at the Academy over the next five years as recipients of Bicentenary scholarships. Four Bicentenary Scholars were chosen for the 2018-19 academic year. The successful scholars are offered a final year of exceptional preparation for their professional careers, with an intensive bespoke one-year programme devised for each student.



The Wild Party, June 2019 (Photo: Richard Hubert Smith)

Student Wellbeing

Pastoral care is built into the fabric of a conservatoire, and must respond to the evolving needs of students. Student support services continue to develop to maximise the quality of care, information, advice and guidance available, and to minimise response times when issues arise. In 2018-19 we introduced 'Resilience' strands into the curricula of our taught programmes, promoting healthy, balanced lifestyles that will enable our students to sustain long careers in music. There has been an initial marked beneficial impact on our student wellbeing statistics over the course of the last academic year. We continue to enhance this aspect of our provision with the aim of optimising the potential for preventative education and training.

Since 2007 the Academy has been working with the London South Bank University on a long-term project to address concerns about students' hearing which involves hearing tests and instrument-specific advice on hearing protection. The Academy provides earplugs free of charge to students and factors sound exposure and noise issues into room scheduling.

Student Union

Our Student Union supports all our students, offering advice and representation and maintaining the inclusive social atmosphere for which the Academy is known. The Governing Body approved further amendments to the Students' Union Constitution during the year to appoint a non-sabbatical International Representative rather than a Welfare Representative, to better represent the needs of the student body.

Junior Academy

On Saturdays the Royal Academy of Music transforms into its Junior Academy, occupying all areas of the building to create one of the most unique musical learning atmosphere available to young musicians. Individual lessons, a variety of performance opportunities, specialist classes and excellent teaching staff all add to the musical vibrancy of Junior Academy.

Junior Academy teachers are leading professional musicians who combine active performing careers with the challenge of helping young players, singers and composers to fulfil their potential and musical ambitions. Many also teach on the undergraduate and postgraduate programmes at the Academy, and bring enormous experience of teaching and performance to their Junior Academy students.

The academic year began with 227 Junior Academy students, another record-breaking number on roll; a total of 349, including Junior Jazz, Primary Academy, First String and First Guitar Experience.

Applications for places and enrolments continued to be strong:

	Applications		Enrolments	
	2018-19	2017-18	2018-19	2017-18
Junior Academy	646	663	103	100
Primary Academy	216	194	28	21
First Strings Experience	883	903	184	174
First Guitar Experience	569	533	78	82

We offered 46 bursaries for 2018-19 (48: 2017-18), in addition to our 35 Music and Dance Scheme Government funded places. We are grateful for the continuing support of the Wolfson Foundation, Leverhulme Trust, Sir Elton John Trust and a number of individual benefactors.

The Soldier's Tale, a collaborative concert between Junior Academy, RADA and Rambert School students, took place on 23 February 2019 and was a huge success. Over the year students have benefited from a variety of masterclasses including guitarist Fabio Zanon, oboist Jonathan Kelly, violist Juan-Miguel Hernandez and singer Mary King and competing for various prizes receiving valuable feedback from adjudicators.

The Academy was delighted to welcome UK music education specialist, Lesley-Ann Thomson, as the new Director of Junior Academy in early 2019.

Senior Academy

Recruitment to all the Academy's programmes continues to be strong, with a far larger number of high quality applicants than there are places on offer. Our programmes remain effective in training our students for a fulfilling and sustainable life in music. The Academy's destination statistics remain among the top percentile of all UK higher education institutions and our alumni make a significant contribution to the musical life of the UK and other countries.

Student Numbers

Applications to study at the Academy and acceptance of places was again strong for the year:

	Applications		Enrolments	
	2018-19	2017-18	2018-19	2017-18
Undergraduate UK/EU	646	663	103	100
Undergraduate International (non-EU)	216	194	28	21
Postgraduate UK/EU	883	903	184	174
Postgraduate International (non-EU)	569	533	78	82
Total	2,314	2,293	393	377

Entrance standards to our programmes are at a level of international excellence which enables us to train and educate our students intensively to reach professional levels of achievement by the end of their programme. The combination of world-leading talent, outstanding teachers, and globally significant resources is reflected in the standards achieved by our students at the end of the programme and the classification of the awards that we make. To assure ourselves that we are setting appropriate standards on our programmes, we have a double system of external scrutiny: external examiners who oversee the standards and operations of the assessment processes as a whole, and specialist external assessors who sit on final assessment panels to scrutinise the quality and standards of students' playing, singing or composition. Additionally, all written work is blind double-marked.

The Academy attracts students from 61 countries with roughly 50% from the UK, 25% from the rest of the EU and 25% from non-EU countries. Applications and recruitment remain strong in spite of the uncertainties around Brexit. Recruitment for 2019-20 is buoyant. The Deputy Principal and Dean has continued to develop initiatives and links with other international organisations to ensure students from all over the world are aware of the Academy and find it a supportive institution.

Results for 2018-19

Following the assessment round at the end of the 2018-19 year, the Examinations Board ratified the following awards:

BMus Awards	2018-19		2017-18*		MA/Mus Awards	2018-19		2017-18*	
	No	(%)	No	(%)		No	(%)	No	(%)
First Class	62	(56)	40	(43)	Distinction	125	(65)	142	(69)
Upper Second	37	(34)	42	(45)	Merit	53	(28)	46	(23)
Lower Second	11	(10)	11	(12)	Pass	14	(7)	17	(8)
Third/Pass	0	(0)	0	(0)					

* Results for 2017-18 have been restated because some final results for MA/MMus students are not available when the financial statements are prepared in November.

Under the powers of the Academy's Royal Charter, the Examinations Board may award a Dip RAM to any postgraduate student who has particularly excelled in his or her final recital. (Conventionally the award has been made to the elite cohort who achieve a mark of 80% or above in their recital.) This year 63 such awards were made (60: 2018). Post Masters awards were also made by the Examinations Board, including 26 Advanced Diplomas and 16 Professional Diplomas.

Earlier in the year students from Toronto's Glenn Gould School joined with Trevor Pinnock and the Academy Soloists Ensemble for a Wigmore Hall concert and recording sessions at Linn Records for Aldeburgh. The concert was broadcast on BBC Radio 3 and across Europe and Canada with the recording to be released in 2020.

2. People and Resources

Attracting and retaining outstanding teaching and professional services staff, developing our world-class facilities, embracing new technologies and carefully managing our financial resources secures the future of the Academy, ensuring it thrives in an ever-evolving cultural and social landscape.

In order to ensure continued quality in the student experience and support the retention of the very best teachers, the Academy relies on an infrastructure of talented and committed professional services staff. We need to not only recruit but develop and retain staff of the highest calibre, investing in both their professional development and the advancement of a supportive, inclusive workplace in which people feel valued.

The Academy's estate is an extraordinary asset, enjoyed by students, staff and visitors alike and improved even further in 2018 by the addition of the award-winning Susie Sainsbury Theatre and Angela Burgess Recital Hall. During the summer of 2019 work to enhance the theatre foyer started with the laying of a beautiful tessellated mosaic floor in keeping with the floor in the main entrance. The Academy is grateful to the two trusts which made grants to enable this work. With a growing student and staff body, we will ensure that we are using our facilities as effectively as possible in order to best suit our programmes, and continually assess whether practice and performance requirements are being met.

At the end of the year our long-standing Estates Manager retired and a new Head of Estates was appointed. A Performance Venues Manager was appointed soon after to enable the team to focus on providing and maintaining the best possible environment for students, staff and visitors, and to aim for the highest standards of environmental sustainability. With the departure of our long-serving Bar Manager we took the opportunity to review the evening bar service provision and revise the pricing structure. The introduction of new and changing drinks menus and pop up bars during major performances has led to a great deal of positive feedback.

After the completion of major building works the Academy has been reviewing all its space and how best to use it. The premises at Aybrook Street have proved invaluable as an academic staff hub as the student population has grown, and as a result the lease was extended for another six years from July 2018. The space includes teaching rooms, practice pods and offices.

Technology touches all aspects of Academy life and plays a vital role in the increasingly interdependent activities of the organisation. Not only should it provide an infrastructure that ensures the smooth running of the Academy's day-to-day business, it should also underpin the learning experience of our students, allowing them to develop the skills they need to thrive as 21st-century musicians. By ensuring that our

technology keeps abreast of industry trends and continues to be updated to match our objectives, we will increase productivity and support creativity among our student and staff body. With the completion of the Virtual Conservatoire project we have had the opportunity to reflect on recording needs and how best to meet them. Systems now allow students to book recording sessions, including through student directed projects, where engineers are not required. St Mark's Church is one of several Academy spaces that can be used for recording but it has suffered from environmental noise ingress that affects the quality of recordings. This has been remedied successfully by work to install new acoustic doors and secondary glaze some of the windows.

For nearly 200 years, the Academy has looked to its generous community of donors to provide the foundation for music and music education, from prizes and scholarships to capital projects. Philanthropy lies at the heart of our ability to provide the best possible experience to our students. Investment in the Development Department has continued to enable us to achieve our aim of raising at least 25% of the Academy's income. Philanthropy funds awards, capital projects, and engagement programmes through Junior Academy, Open Academy and widening access initiatives.

Keeping students at the heart of all we do means that the Registry and its systems are a key part of the organisation. During 2018-19 work started on the implementation of a new student database system. Difficulties with links to UCAS Conservatoires means that the work is progressing slowly and will continue throughout 2019-20. However, the new system is expected to bring significant benefits to students, Registry staff, teaching staff and the Finance team, through simplifying processes and holding more data in one place.

A new website is being developed with the aim of making the whole site clearer and simpler, particularly for potential students, but also for all users of the site, including ticket buyers.

During the year the ICT team supported a number of live audio video events, including two very successful live streams to Facebook, in conjunction with Classic FM. There have also been distance masterclasses with the Manhattan School of Music, and a performance for the Virtual Conservatoire project.

3. Engagement

Reaching the level of musicianship required for conservatoire entry takes years of hard work and, in most cases, significant financial commitment. Although we already offer millions of pounds in financial support for students every year, we are aware that this does not redress inequalities in earlier education.

As detailed in our Access and Participation Plan 2020-21 to 2024-25, the Academy intends to take a leading role in widening access to conservatoire education, creating clear pathways for talented children and young people, no matter what their background, and providing them with the practical and financial support they need at every stage to develop as musicians.

The Academy holds s public performances each year, most of which are free. These bring to a large public audience a diverse range of music performed by highly talented students, often working alongside leading professional musicians. We aim to grow and diversify our audience in order to bring music to an ever-widening community.

Live streaming provides an opportunity to disseminate our work to broader constituencies, especially highly popular events where we would be able to fill five-fold the number of seats if we had the audience space. Such an example is Trevor Pinnock's St Matthew Passion in February 2019, which had over 56,000 views. Apart from audiences, live streaming of performances and masterclasses allows international communities of potential students to see the quality and range of our work, and this is supported by sections of the stream which are then put on the website for other marketing purposes.

Two key aspects of the Academy's identity are our global reach and our strong connections with the music industry. Collaborations with educational and musical institutions across the world range from high-profile creative projects to student and staff exchange schemes and teaching/research projects between individual members of staff. During 2018-19 there were 24 research students (20: 2017-18) and 5 PhDs were awarded (5: 2017-18).

During the course of this academic year staff research output included monographs, periodical articles, compositions, new editions, exhibitions and recording. Julian West, Director of Open Academy was

awarded £50,000 for 2018-19 and 2019-20 by the ESRC for a project entitled 'The Arts and Dementia: how might the arts contribute to the creation of more inclusive ageing societies?'.

During the year the Academy commissioned two pieces of research that will be used to inform our Access and Participation strategy. The first project is investigating financial support for students and the second relates to engagement of under-represented young people in music education. The work will be completed during the autumn of 2019, enabling us to develop approaches based on firm evidence, and to monitor the outcomes.

Open Academy

Open Academy is the Academy's Learning, Participation and Community initiative, working with around 6,000 people beyond our enrolled students and staff each year. As the importance of participatory music programmes in areas including education, health and wellbeing continues to grow both in the UK and internationally, it is crucial that our students have the opportunity to obtain skills and experience in this exciting and expanding area of work. Open Academy electives at undergraduate and postgraduate level are available to all students, offering seminars and workshops alongside hands-on experience in the field. Open Academy also offers fellowships to graduating students who will be the future leaders of this work.

Open Academy works closely with artistic and community partners to produce creative projects in which our students and project participants can explore making music together in a wide range of contexts. These include workshops with children and young people in mainstream schools and special educational needs and disability (SEND) settings, people receiving treatment in hospitals, residents and staff of care homes, and people attending day centres. All of our projects are led and supported by skilled professionals, ensuring the quality of the experience for everyone involved. Open Academy projects enable everyone involved to make connections with people from all walks of life, and to reflect upon the contribution musicians can make to society through their artistry.

During 2018-19, continuing our work with Music Education Hubs and local schools, we co-designed and delivered music projects that supported classroom and instrumental learning. At the heart of our projects is creativity, with school pupils working alongside Academy students to develop and share their own new pieces of music. This focus places music making at the centre of the experience for everyone.



The positive impact of the arts on health and wellbeing is firmly established and the profile of work in this area continues to grow. We worked with hospitals, including the Royal London and Chelsea and Westminster, to support their existing programmes of work and give our students practical experience in these settings. We also collaborated with Wigmore Hall on their world-leading Music for Life project, which, for over 25 years, has brought together musicians, people living with dementia and their families

and carers for creative projects that aim to enhance the wellbeing of all involved. Making music together can be a powerful way to create equality.

Since 2016, Open Academy has been working with City Lit's Percussion Orchestra, a music project for adults with learning disabilities and Academy students that aims to create and perform new compositions. The ensemble works throughout the year, exploring the potential of everyone involved. In June 2019 the Academy hosted the ensemble's performance of Music is a Place as part of Learning Disability Pride.

Working with the Nash Ensemble and Open Academy, students from Regent High School and St Marylebone School explored contemporary music and composition techniques. Together they created their own graphic scores in response to newly composed pieces by our postgraduate students.

Throughout the academic year, Academy students took part in creative sessions with children who were receiving treatment at the Royal London Hospital. The sessions were planned and delivered in partnership with the hospital school and provided opportunities for children to play and be creative.

In the 2018-19 academic year our students worked alongside:

3,173	Primary school children
108	Secondary school students
126	Disabled people
218	Young people outside of school hours
100	People receiving treatment in hospitals
852	People living with dementia
75	People living in care homes
760	People taking part in family events for early years
694	Others
<u>6,106</u>	

Our artistic partners and community partners include: Wigmore Hall, Glyndebourne Opera, English National Opera, English Touring Opera, London Philharmonic Orchestra, Spitalfields Music, Camden Music Hub, Tri-borough Music Hub, Resonate Arts, Royal London Hospital, Chelsea and Westminster Hospital, City Lit and Awards for Young Musicians.

Alumni

The Academy has a community of over 16,500 alumni who form an important part of the Academy family. In the next five years, we will develop a reinvigorated programme of tailored content and benefits, engagement opportunities and access points for alumni. In doing so we will seek to significantly increase our alumni base by re-engaging Junior Academy alumni and expanding our reach among senior Academy alumni. This will support our mission to provide lifelong value to our alumni, while in turn cultivating their ongoing support for the Academy and its strategic aims.

Museum and Collections

The mission of the museum is to support the work of the Academy and to advertise it to the wider public, highlighting the potential of music to inspire, unite and stimulate through performance, displays and research, using its eminent collections of instruments, art, photography, manuscripts and scores. The museum is an integral part of Academy life where fascinating objects are displayed and engaging stories are told through its permanent galleries and programme of changing temporary displays.

Since its foundation in 1822 the Academy has acquired important collections of musical instruments. These include fine stringed instruments by Stradivari and Amati, and others of the French, German and Dutch schools from the Becket and Rutson Collections. Our museum displays some of these instruments, including historic keyboards by Broadwood, Pleyel and Érard, and the Spencer Collection of lutes and guitars. In recent years we have been building up the unique Calleva Collection, commissioning stringed instruments from today's finest luthiers. Students may be offered the use of many of these instruments, providing an important boost to their musical development.

The Academy also holds important collections of art, scores, performance materials, manuscripts and other objects which belonged to great figures including Yehudi Menuhin, Robert Spencer, Harriet Cohen, David Munrow and Henry Wood. These extensive archives offer students, staff and members of the public unique insights into the creative processes of great musicians, as well as informing our knowledge of performance practice.

There is a practice space in the gallery, giving students an opportunity to rehearse with an informal audience, try out new repertoire and interact with visitors. Classes, seminars and events also often take place in the galleries, which adds a different dimension to students' learning.



In addition to the permanent galleries dedicated to strings, pianos and the Academy's history, there is a temporary exhibition space in the museum. From the end of June 2018 until March 2019, 'Hitting the Right Note: Amazing Women of the Royal Academy of Music' celebrated the achievements of women associated with the Academy over its 200-year history, highlighting some well-known names and some unsung heroes. The stories were told through written panels, images, collection items, loan items from alumni, and filmed interviews with 20 women associated with the Academy, such as alumni, professors and fellows. A new interactive touchscreen in the gallery enabled visitors to access the interviews, stream music associated with each woman (via NAXOS), archive material and a quiz for families.

A loan of items from Elliot Golub, including the Spagnoletti violin, were displayed in the Strings Gallery from 10 September 2018 to 4 February 2019 together with the Habenek violin, 1734, and the Girolamo Il Amati violin, 1719, from the Academy's collection and an accompanying research event.

The ground floor exhibition space was given over to the composition department for the second time from March to the end of May. An installation by a student, 'I move and I watch I act and I listen', was accompanied by a talk from the composer.

The current temporary exhibition, 'What a Song and a Dance – Celebrating Musical Theatre' opened on 5 July 2019 and will run until February 2020 and ties in with the 25th anniversary of the Academy's Musical Theatre Programme. The exhibition includes as-yet uncatalogued items from the McCann Collection, loans from the Cameron Mackintosh archive and filmed interviews with students, alumni and theatre professionals.

Three smaller exhibitions were housed in the Tertis case in the main building during the year, including a selection of Spagnoletti items on loan from Elliott Golub to support the display in the Strings Gallery; The Dulcimer, with an accompanying family event; and Henry Wood at 150, displaying a selection of our vast collection of batons and a newly acquired portrait of Wood conducting the Queen's Hall orchestra.

The museum regularly holds lecture-recitals, seminars, workshops, special events and family activities, open to the public and free of charge. During the year there were over 10,922 visitors to the museum, an all-time high. In addition, the museum hosted 58 public events attended by 1,021 people; 14 Academy Tots events attended by 199 people; 53 guided tours attended by 677 people; 64 classes (118.5 hours) and 624 students and adult learners on education guided visits.

The Academy's museum is accredited by Arts Council England, and the Library's Special Collections and Archives have Designated status, awarded by the Museums, Libraries and Archives Council, as being of international significance.

Financial Overview

The Academy has had another successful year, as can be seen from the Statement of Comprehensive Income (SOI) (page 41). The focus has been on continuing to offer a huge range of educational opportunities for the enlarged student population, whilst making the most of the new performance spaces including the Susie Sainsbury Theatre and Angela Burgess Hall, along with ensuring the rest of the estate is fit for purpose. During the year we have re-directed our fundraising from the theatre project towards bursaries and scholarships for our students. Total donations and endowments received during 2018-19 amounted to £6.6m (£14.4m: 2017-18), of which £743,000 was donations for the theatre (£7.8m: 2017-18).

	2018-19 £000	Restated 2017-18 £000
Summary of Income and Expenditure		
Income before donations and endowments	19,189	19,489
Donations and endowments	5,857	6,577
Theatre donations	743	7,806
Expenditure	(25,056)	(22,592)
Operating surplus before other gains or losses	733	11,280
Gain on disposal of fixed assets	-	33
(Loss)/gain on investments	(532)	1,665
Actuarial (loss)/gain in respect of RAM1967 pension scheme	(122)	141
Total comprehensive income	79	13,119
Represented by:		
Endowment comprehensive income for the year	(149)	1,679
Restricted comprehensive income for the year	805	9,480
Unrestricted comprehensive income for the year	(508)	1,712
Revaluation reserve comprehensive income for the year*	(69)	248
	79	13,119

* Revaluation of the non-current investment

The table below sets out a more helpful way to understand the Academy's financial health and sustainability by calculating the underlying operating result, excluding items which can mask underlying activity. These items include restricted and endowment income, the actuarial loss on the RAM1967 Pension Scheme, and depreciation of fixed assets that were purchased using specific gifts received in previous years. The income from these gifts was recognised in prior years, increasing the surpluses from 2014-15 up to now. After these adjustments, the operating result shows a surplus of £357,000 (£2.0m: 2017-18).

	2018-19 £000	Restated 2017-18 £000
Total comprehensive income for the year from above	79	13,119
Exclude Endowment comprehensive income (generally restricted in use)	149	(1,679)
Exclude Restricted comprehensive income (mainly theatre donations)	(805)	(9,480)
Exclude Revaluation reserve comprehensive income	69	(248)
Exclude Actuarial gain on RAM1967 Pension Scheme for the year	122	(141)
Exclude Depreciation on externally funded assets (theatre and recital hall)	743	433
Operating surplus after adjustments	357	2,004
Operating surplus after adjustments as percentage of total income	1.4%	5.9%
Revenue donations	5,423	6,339
Capital donations and endowments including theatre	1,177	8,044
Total donations and endowments	6,600	14,383

With the introduction of FRS102 there is no longer an annual revaluation of the Musical Instrument Collection, although the condition of the collection is monitored continually to ensure that any deterioration or significant increase in value is recognised.

The teaching of music students in a conservatoire is a high-cost activity; each student has a significant amount of one to one teaching, as well as performance and academic classes. Many students will also be orchestra members and will perform regularly. The combination of all these activities leads to costs per

student of up to £35,000 per annum. As a result the specialist funding and philanthropic gifts are crucial in enabling us to continue to offer world-class tuition and to produce musicians of the highest calibre.

Liquidity

The Academy has £14.8m of cash and cash deposits (£11.9m: 2017-18), which has increased partly due to philanthropic gifts. Current assets exceeded current liabilities by £11.1m (£9.5m: 2017-18). Overall liquidity has reduced but remains healthy although a significant proportion of the cash reserves are designated for specific purposes. The Academy is continuing to invest in the estate and developing state-of-the-art technology facilities, some of which are funded through gifts and grants, and some from our own reserves.

Endowments

The Academy has a number of endowment assets which form its Legacy Pool. It represents the accumulated capital funds donated or bequeathed to the Academy for various purposes but mainly to provide scholarships, bursaries and prizes for the benefit of students. These investments are managed by external fund managers within strategic guidelines set by the Finance and General Purposes Committee. The market values of the combined endowment and non-current investments were £41.6m at 31 July 2019 compared with £42.3m the year before. £1.35m of funds were added to the portfolio during the year. The value of the portfolio decreased by 5% during the year, as markets fell generally. The non-current investment comprises general unrestricted Academy funds of £6.1m which are not required in the short-term and which are placed with the fund managers to achieve a better rate of return. The investment income grew during the year and equated to a net yield of 2.6% (2.9%: 2017-18). The Academy will add further money to the portfolio as and when gifts are received. During August 2018 the portfolio was split to allow the expendable endowment to be managed on a total return basis. It is hoped to transfer the remainder of the endowment to a total return basis in due course. Due to the historic nature of many of the funds significant work is required before this can be completed.

Pensions

The accounts reflect the change in liability for pension deficits of the closed RAM1967 Scheme and the USS.

The RAM1967 Scheme has a deficit of £3.22m at the year end (£3.64m: 2017-18). This has reduced mainly as a result of deficit contributions made by the Academy to the Scheme. The liabilities have been increased by 1.5% as an estimate of the costs of GMP equalisation.

The Academy's share of the USS deficit has increased to £358,000 (£124,000: 2017-18). This arises from the increase in deficit contribution rate from 2.1% to 5% based on the 2017 valuation. However a further valuation was completed for 2018, post year end, which would lead to a revised deficit provision of £210,000 at 31 July 2019.

Pension contribution rates have increased during 2018-19 for USS, the GPP and NEST, leading to an increase in salary costs.

Procurement

Ongoing expenditure and project costs are monitored carefully to ensure that we achieve value for money. To make the most of our funds, improve our bargaining power and realise efficiencies we continue to use dedicated procurement support via a cost-sharing group, Ensemble Purchasing. Work has focused on both seeking efficiencies and mitigating risks particularly in the following areas: a replacement student records system, banking services and cleaning.

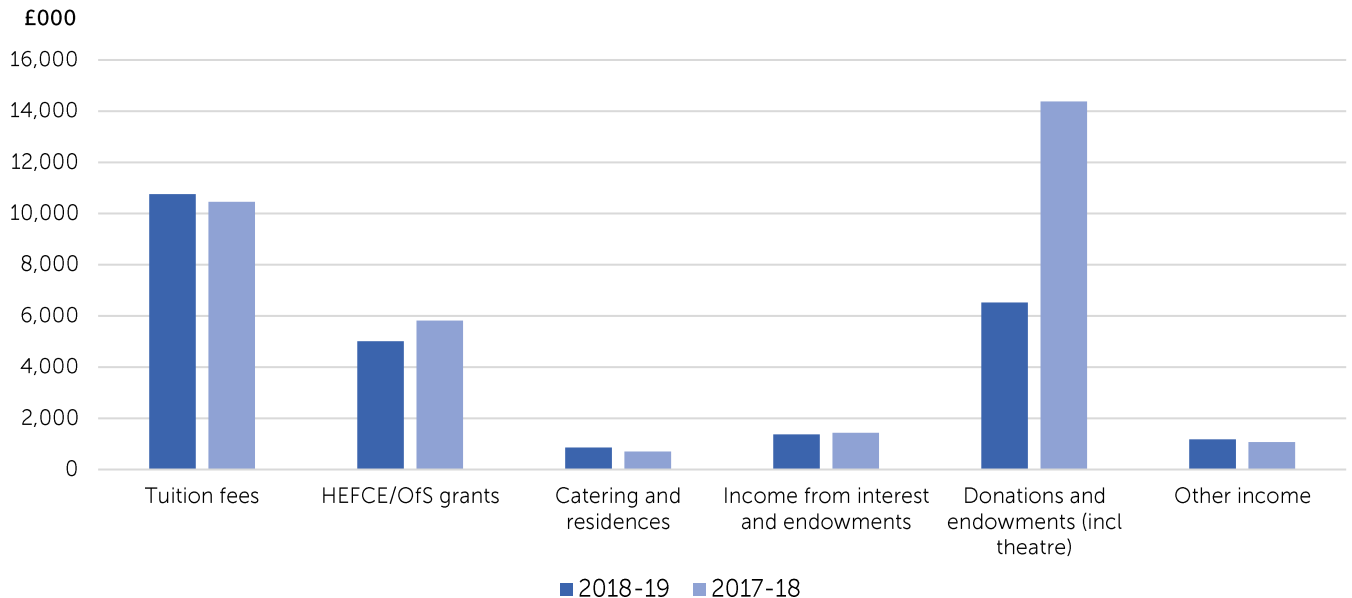
Capital Projects

The new Susie Sainsbury Theatre and Angela Burgess Recital Hall were opened during the first quarter of 2018 and have been in constant use since. Additional philanthropic funds have enabled us to revitalise the fabric of the theatre foyer introducing acoustically treated wood panelled walls and a beautiful mosaic floor that flows through from the main entrance. The work started in July 2019 and is due for completion in October. It has been included in the capital commitments Note 19.

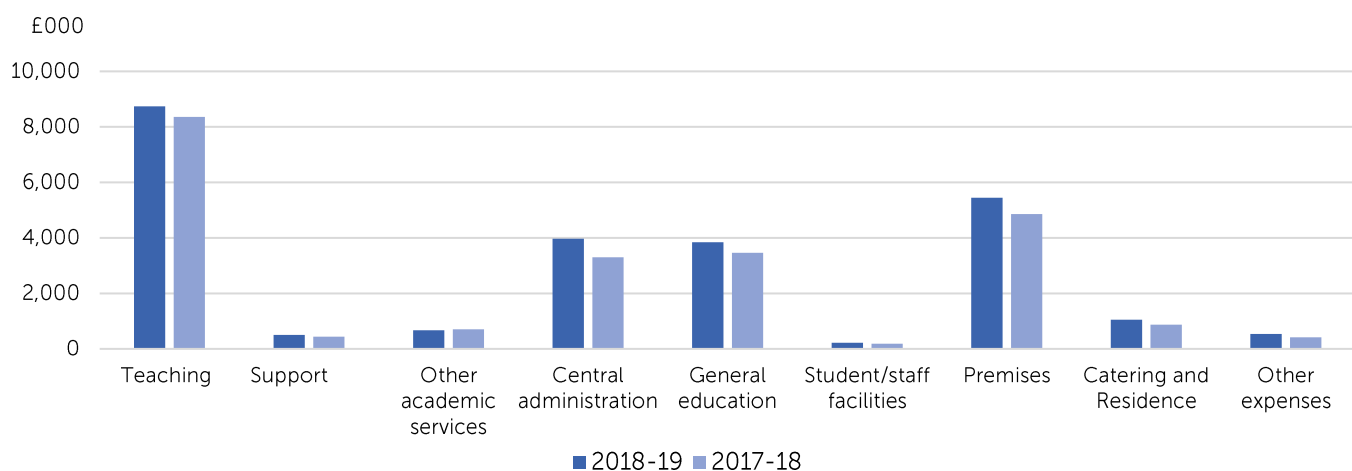
As a result of the theatre works we took the opportunity to create five new percussion studios, equipped with excellent soundproofing and a comprehensive collection of percussion instruments on which our students train. These were completed at the beginning of the 2018-19 academic year.

St Mark's Church has been fitted out with sound-proofing and acoustic panels to provide an even better environment for teaching, rehearsals and recordings.

Income



Expenditure



Changes from 2017-18 to 2018-19

The bar charts above indicate some significant changes in income and expenditure between the years.

Income

Tuition fees: these have increased mainly as a result of recruiting an extra 16 students along with more Junior Academy students.

HEFCE/OfS grant: the Catalyst grant for the Virtual Conservatoire has come to an end, with only a small sum received in 2018-19 (£757,000: 2017-18).

Catering and residences: the bar and canteen have been refreshed, with a review of pricing, services and stocks, leading to an increase in sales.

Donations and endowments: theatre donations are lower by £7.1m compared with the previous year, as the capital works are complete.

Expenditure

Teaching: costs have risen because of the higher student numbers.

Central administration: continued investment in the Advancement Team, including alumni and web development, is reflected in an increase in central administration costs. The benefits of this commitment are being felt through additional bursaries and scholarships together with funding for capital projects.

General education: changes are mainly as a result of the investment of further funds in bursaries to ensure the best and widest range of students are able to attend the Academy.

Student/staff facilities: the Academy has increased investment in the provision of additional counselling and other learning support.

Premises: these have increased as the full year effects of the rent review are felt, along with rates and insurance uplifts. Theatre technical staffing has also risen with the re-opening of the theatre.

Catering and residences: six additional bed spaces were provided in central flats for students in 2018-19. The refresh of the bar and canteen service led to a rise in the cost of sales, which was more than offset by additional income.

Funding

During 2018-19 there has been no change to the funding formula, although this will be reviewed in future. The revised formula for specialist institutions funding (RISTA), which resulted in a significant increase in grant for 2016-17, has been maintained. The Academy's total recurrent grant from the OfS for 2018-19 (Teaching, Research and Higher Education Innovation Fund grant) reduced by £66,000 but the main change was a reduction in capital grants of £736,000 as the Catalyst project came to an end.

The major fundraising priority during the year was scholarships and bursaries, which provide vital support to ensure that no prospective student with the appropriate talent and potential is denied the chance of studying here. We also successfully raised unrestricted funds to help relieve the budget pressures across the Academy and secured our first significant commitment to fund widening participation initiatives.

The majority of philanthropic income continues to come from trusts and individuals and modest income from companies. Legacies are increasing, with many alumni and friends choosing to include the Academy in their estate plans. Many of these bequests are expendable or permanent endowments and therefore add to the Academy's endowed funds. Work continues to encourage lifetime endowment gifts, for example to endow an existing post (the income from which would be budget-relieving) or a new scholarship or bursary. New guidelines were put in place to ensure sufficient income to fulfil the donor's wishes can be produced from the endowed fund.

Following an exceptional return on investment during the capital campaign, the team is now delivering a return above the sector average of 5:1.

The Future

We are enjoying the benefits of the improvement of our estate and teaching facilities and we look forward to our Bicentenary in 2022. However, with the many challenges in the higher education landscape such as Brexit, the Augar Review, increased pensions costs and deficits, to name but a few, we are continually seeking ways to operate more efficiently. With a new Strategic Plan in place and an enthusiastic staff, we have ambitious plans to enhance the student experience and maintain our position of excellence.

To enable a wide range of students to attend the Academy based on their talent and potential rather than their financial capability, our priority is to increase funds raised to support students. This will be generated through annual donations and endowed gifts. This continues to be one of the key planks in ensuring that the Academy can remain at the forefront of music education globally.

Corporate Governance Statement

The Corporate Governance Statement and Statement on Internal Control and Risks relate to the financial year 1 August 2018 to 31 July 2019, and up to 25 November 2019 when the Annual Report and end-of-year Financial Statements were approved by the Governing Body.

The powers, duties and responsibilities of the Governing Body are laid down by the Royal Charter and its Bye-Laws. The Governing Body is also required, where appropriate, to conduct its business in line with the Statutes and Ordinances of the University of London of which the Academy is a member and, in their capacity as trustees, with the Academy's charitable objects.

The Academy is a higher education institution, part funded by the OfS and subject to its Terms and conditions of funding for higher education institutions. The Governing Body confirms that due regard has been given to the OfS public interest governance principles in respect of:

- Academic freedom
- Accountability
- Student engagement
- Academic governance
- Risk management
- Value for money
- Freedom of speech
- The composition of the Governing Body
- The appointment of fit and proper persons as members of the Governing Body and Senior Management Team

The Academy endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life and complies with the guidance provided by the Committee of University of Chairs (CUC) in The Higher Education Code of Governance. The Governing Body has had regard to the Charity Governance Code and agreed to adopt the CUC Higher Education Senior Staff Remuneration Code.

The Objects of the Academy are 'to promote the Cultivation of the Science of Music and to afford facilities for attaining perfection in it by assisting with the general instruction of all persons wanting to acquire knowledge thereof'.

Under the terms of the Supplemental Charter dated 1998 and its Bye-Laws, the direction of the Academy is the responsibility of the Governing Body, which makes rules, orders and regulations deemed useful and necessary for the regulation and management of the institution. The Charter is under review, and informal comments have been received from the Privy Council. The size and composition of the Governing Body and members' terms of office are under review, particularly the term of office for staff and student members to enable them to engage fully in the business of the Governing Body. In addition, it is intended that the Principal will become a member of the Governing Body and a trustee.

The Academy is registered with the Fundraising Regulator and makes every effort to comply with its standards and guidance. The Academy is a member of the Council for the Advancement and Support of Education (CASE) and benchmarks its fundraising activities against UK universities and also specialist institutions.

The **Governing Body** is responsible for overseeing and managing the general business, finances and investments of the Academy, safeguarding its assets, setting its general strategic direction and determining its educational character and mission. It is also responsible for ensuring that academic governance is operating effectively, encouraging student engagement in academic governance; that Academy students receive a high quality education, value for money, and that adequate provision has been made for their welfare and wellbeing.

The Governing Body comprises the President, 10 to 15 independent members who are the trustees and from whom its Chair and Deputy Chairs are drawn, and up to five representative members elected by the staff and students.

None of the independent members receive any payment for work they do for the Academy. A Register of Interests is maintained for members of the Governing Body, senior officers of the Academy and directors of fully owned subsidiaries.

The Governing Body meets four times each academic year and much of its detailed work is delegated to senior committees, in particular the Finance and General Purposes Committee, Audit Committee, Nominations Committee, Remuneration Committee, Gift Acceptance Committee and Academic Board, which are formally constituted as Committees of the Governing Body with written terms of reference and reporting structures. In addition, working groups are constituted as required. Independent members of the Governing Body meet with the Principal and members of the Senior Management Team at least annually to review the Academy's strategic direction and measure progress against strategic aims. With the exception of the Academic Board, membership of these Committees includes a significant proportion of independent members of the Governing Body, from whom the chair is selected.

Corporate Governance arrangements are reviewed annually and amended as the Governing Body sees fit. A formal review of effectiveness of the Governing Body commenced in July 2018, with assistance from the Academy's internal auditors Scott-Moncrieff.

The Audit Committee has benefited from the appointment of an external member, Linda Peka, Chief College Operations Officer at Exeter University, since September 2016 to provide additional expertise and scrutiny of the Academy's operations and this appointment has been renewed for a further three years. An external member was appointed to the Investment Sub-Committee during 2019.

The **Finance and General Purpose Committee** oversees the management and control of the financial and general affairs of the Academy to ensure its short- and long-term viability. It recommends to the Governing Body the annual budget and elements of the end-of-year Financial Statements, advises on financial strategy, monitors financial performance and ensures that systems are in place for the effective and efficient management of resources and financial operations.

The **Audit Committee** is responsible for overseeing internal controls, risk management and compliance. The Committee meets with the external auditors to discuss audit findings, and with the internal auditors to consider internal audit reports and recommendations for the improvement of the Academy's systems of internal control, together with management's response and implementation plans. The Committee receives reports from the OfS and monitors adherence with regulatory requirements. It provides the Governing Body and the Principal with an Annual Report on its key activities and an opinion on arrangements for risk management, safeguarding, GDPR, value for money and data integrity, among others.

The **Nominations Committee** is responsible for identifying fit and proper persons for nomination as independent members to ensure that the Governing Body has appropriate expertise to meet its short- and long-term needs. The priorities for recruitment are to widen the diversity of members and enhance the financial, business, professional, and fundraising skills of the Governing Body. Two new members were appointed with effect from 1 September 2019.

The **Remuneration Committee** is responsible for recommending the terms of employment and remuneration of the Principal and members of the Senior Management Team. The Academy has adopted the CUC's Higher Education Senior Staff Remuneration Code, and has prepared an annual report (page 29).

The **Gift Acceptance Committee** is responsible for advising the Governing Body about whether the sources and purposes of prospective donations, fundraising, and other funded activities are ethically acceptable.

The **Academic Board** is the main academic committee of the Governing Body and draws its members from the academic staff and the students of the institution. It is the body responsible for the academic and academic governance work of the Academy in teaching, examining and in research, and recommending and implementing strategic academic, artistic and policy initiatives.

The **Principal** is the **Chief Executive Officer** of the Academy, who reports to the Governing Body and is responsible for implementing its decisions and for maintaining and promoting the efficiency and good order of the Academy. Under the OfS' Terms and conditions of funding for higher education institutions for the period to 31 July 2019, the Principal is the designated Accountable Officer of the Academy.

The **Senior Management Team** is the Principal's advisory group and comprises the Deputy Principal and Dean, Deputy Principal – Programmes and Research, Deputy Principal – Advancement, and the Director of Finance.

Statement of Internal Control

The Governing Body has, in accordance with its Royal Charter and Bye-Laws and the OfS' Terms and conditions of funding for higher education institutions for the period to 31 July 2019, responsibility for maintaining a sound system of internal control that supports the achievement of strategic aims and objectives while safeguarding public and other funds and assets for which the Academy is responsible. The system of internal control is designed to manage rather than eliminate risk and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks, to evaluate the nature and extent of those risks, and to manage them efficiently and effectively. This process has been in place for the financial year ended 31 July 2019 and up to the date of approval of the Financial Statements, and accords with OfS guidance.

The following internal control processes have been established:

- The Governing Body considers the plans and strategic direction of the Academy on an annual basis.
- The Governing Body has delegated to the Audit Committee responsibility for reviewing the effectiveness of internal control systems and the risk management process and for ensuring suitable processes are in place for monitoring and managing the risks.
- The Governing Body receives an annual report from the Audit Committee concerning issues of risk, internal controls and their effectiveness, which are informed by reports from the Senior Management Team and internal auditors on the steps being taken to manage risks.
- The Audit Committee receives reports from the internal auditors, which include its independent opinion on the adequacy and the effectiveness of internal controls based on work undertaken in accordance with its approved audit plan.
- The Academy maintains an Academy-wide risk register, which is monitored by the Senior Management Team and reviewed by the Audit Committee. Changes in risk assessments are reported to the Audit Committee. This is reviewed by the Governing Body on an annual basis.
- Our approach to risk management is risk based.
- Heads of departments are required to identify and keep up to date the record of risks facing the Academy. These are discussed on at least an annual basis.

The highest rated risks currently on the register are:

- | | |
|--|--|
| • The impact of the EU referendum. | • Physical security of collections. |
| • Failure to meet fundraising targets. | • Cyber security. |
| • Risks around historic issues of safeguarding students and staff. | • Noise protection for staff and students. |

All risks listed are discussed by the Senior Management Team on a weekly or monthly basis with mitigating actions in place.

In preparation for the General Data Protection Regulation (GDPR) (May 2018), the Academy undertook a thorough review of data management including data retention, internal systems for controlling data retention, access and use. The Academy continues to review data management with external consultation and legal and marketing experts, to minimise the GDPR-related risks in all our activities.

The Academy is subject to review by internal audit which, for 2018-19, was carried out by Scott-Moncrieff, who were appointed in May 2015. The internal auditors operate to standards defined in the Audit Code of Practice set out in the OfS' Terms and conditions of funding for higher education institutions for the period to 31 July 2019 and report on the adequacy and effectiveness of the Academy's system of internal control, make recommendations for improvement and monitor implementation. No significant weaknesses in internal control were identified during the year.

The Corporate Governance Statement and Statement on Internal Control and Risks was approved by the Governing Body and the Principal on 25 November 2019, and signed on its behalf by

Dame Jenny Abramsky
Chair of Governing Body

Professor Jonathan Freeman-Attwood
Principal

Responsibilities of the Governing Body

In accordance with its Royal Charter, the Governing Body is responsible for the administration and management of the Academy's affairs and is required to present an Annual Report and audited Financial Statements each financial year.

The Governing Body is responsible for overseeing the Academy's activities, for determining its future direction and fostering an environment in which the Academy's mission can be achieved.

The Governing Body is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Academy and enable it to ensure that the Financial Statements are prepared in accordance with the Statement of Recommended Practice: 'Accounting for Further and Higher Education' and other relevant accounting standards. In addition, within the OfS' Terms and conditions of funding for higher education institutions, for the period to 31 July 2019, the Governing Body, through its designated Accountable Officer, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Academy and of the surplus or deficit and cash flows for that year.

In causing the Financial Statements to be prepared, the Governing Body is responsible for ensuring that:

- Suitable accounting policies are selected and applied consistently.
- Judgements and estimates are made which are reasonable and prudent.
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- Financial Statements are prepared on a going concern basis unless it is inappropriate to presume that the Academy will continue in operation.

The Governing Body is satisfied that the Academy has adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the Financial Statements.

The Governing Body is responsible for:

- Ensuring that there is a robust and comprehensive system of management, control and corporate governance, including prevention and detection of corruption, fraud, bribery and irregularities, and GDPR compliance.
- Obtaining regular, reliable, timely and adequate information to monitor performance and track the use of public funds.
- Planning and managing its activities to remain sustainable and financially viable.
- Informing the OfS of any significant changes in its circumstances and incidents that could impact on the mutual interests of the Academy and the OfS.
- Using public funds for proper purpose and seeking to achieve value for money from public funds.
- Complying with the mandatory requirements relating to audit and financial reporting.
- Delivering its charitable purpose for the public benefit:
 - Sending required returns and information to the OfS.
 - Ensuring there are effective arrangements in place for the managing and quality assurance of data submitted to funding and regulatory bodies.
 - Ensuring an effective framework exists to manage the quality of learning and teaching and to maintain academic standards.
 - Considering the OfS' assessment of the Academy's risk status and taking action accordingly.

The key elements of the Academy's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments.
- A comprehensive medium- and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- Regular reviews of academic performance and financial results involving variance reporting and updates of forecast outturns.
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governing Body.
- A treasury management policy.

- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and General Purposes Committee.
- A professional internal audit provider, whose annual programme is approved by the Audit Committee.
- An ongoing process designed to identify the principal risks (whether business, operational, compliance, financial or educational) to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.
- The existence of committees reporting to the Governing Body, particularly the Academic Board, Finance and General Purposes Committee and Audit Committee.

Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Governing Body is responsible for the oversight and integrity of the Academy's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Senior Management Remuneration Annual Report

The Higher Education Senior Staff Remuneration Code

The Academy has adopted the Higher Education Senior Staff Remuneration Code (the Code) published by the CUC in June 2018. It advises that there are three key elements to adopt when setting senior staff remuneration:

- A fair, appropriate and justifiable level of remuneration.
- Procedural fairness.
- Transparency and accountability.

Academy approach to Senior Management Team remuneration

The Remuneration Committee is responsible for determining the salaries of the Principal as HOI and the Senior Management Team, and has oversight of the pay framework for the Academy. The members of the Remuneration Committee, including its Chair, are appointed by the Governing Body. The Committee comprises three Independent Members, one of whom is the Chair of the Governing Body, together with the Director of Human Resources. The Chair of the Governing Body may not be the Chair of the Remuneration Committee. The Principal may not be a member of the Committee.

Post holders within the remit of the Remuneration Committee during the academic year 2019-20 were:

- Principal.
- Deputy Principal and Dean.
- Deputy Principal – Programmes and Research.
- Deputy Principal – Advancement.
- Director of Finance.

The Remuneration Committee met once during the year and considered the remuneration for two new members of the Senior Management Team, the Registrar and Director of Student Operations, and the Dean of Students, who are expected to take up their posts in December 2019 and early 2020.

The Committee considered the Gender Pay Gap Report and noted that although the proportion of male and female staff in each quartile was in line with other conservatoires, some departments and instruments tended to attract more men than women. There is a reverse gender pay gap for professional services staff, which has a higher staff turnover rate. A gender pay gap exists for academic staff where turnover has been historically low but this is expected to improve through natural turnover as long-serving staff cease working. A flexible working policy has been in place for many years but uptake is relatively low. It was recommended that the overall offer to applicants and the remuneration strategy be reviewed to assist in attracting and retaining staff in underrepresented areas of the institution and reducing the gender pay gap, while taking into account the institutional financial constraints on remuneration levels.

Factors influencing Senior Remuneration

A number of factors will be considered by the Remuneration Committee when determining reward for senior post holders:

- The Academy is a specialist institution of international reach, with c800 students and c700 staff.
- A finite number of specialist musical educators and leaders exist in the UK and globally.
- A key facet of the Academy's mission is to widen access to music education by enhancing its outreach activities, developing its lifelong learning provision through the work of the Junior Academy and Open Academy, and broadening recruitment to its programmes of study.
- Benchmarking rates against comparative UK conservatoires.
- Evidence of a minimum of three comparable market rates for a market supplement to be considered.
- Complexity, scale and scope of the Senior Management Team positions.
- Impact of the role, on students, staff, visitors, donors, research, resources and finances, the Academy and the conservatoire sector.
- Discretion, level of accountability, degree of autonomy and decision-making authority.
- Level of experience and sector specific expertise.
- Reputation and academic or professional credibility.
- Ability to recruit and retain key staff.

- Performance in support of the Academy strategic objectives, and in areas such as the Teaching Excellence Framework (TEF); Research Excellence Framework (REF); student admissions and retention, awards and DLHE statistics; the number of visitors to public events and the museum; the number of external participants in Open Academy projects; and the number of prestigious bursaries, scholarships and competitions that are won by our students.
- Management and leadership of staff.
- Strategic partnerships and external relations internationally and nationally.
- Major initiatives and capital projects such as building works.

Sources of data for the Remuneration Committee

Sources of comparative data for the Remuneration Committee to utilise include:

- Higher Education Statistics Agency (HESA) data.
- The Universities and Colleges Employer Association's (UCEA) Senior Staff Remuneration Survey.
- The CUC Vice-Chancellor Salary Survey.
- Reports and reviews from external experts commissioned by the Committee.
- Internal analysis of salary distributions and the Higher Education Role Analysis (HERA) system.

Non-Senior Management Team remuneration

For non-Senior Management Team roles, the Academy subscribes to the HERA system, through which all roles are evaluated and assessed to determine the pay grade and salary range against the national pay scales, based on transparent criteria and to ensure pay equity and the elimination of discrimination.

The Academy subscribes to UCEA, which negotiates the nationally agreed annual cost-of-living pay award with unions, on behalf of its members. Once agreed, the cost-of-living pay award is applied to all staff.

Additional staff pay awards, including incremental awards and one-off payments for exceptional work are evaluated on a termly basis by the Senior Management Team.

The Academy offers a Group Personal Pension plan (GPP) for all non-teaching staff, the Teachers' Pension Scheme (TPS) for all teaching staff, the Universities Superannuation Scheme (USS) for a handful of staff who were already members of USS when they joined the Academy and the National Employment Savings Trust (NEST) for any staff not eligible for the other schemes. All staff are automatically enrolled into a pension scheme according to pensions' enrolment criteria.

Market forces supplements may be applied, where necessary, to attract or retain staff, upon provision of evidence of external market rates.

Pay Multiples

The pay multiple of the Hol basic salary against the median of all staff is 4.57 for 2018-19 (4.50: 2017-18).

The pay total remuneration for the Principal, with comparator data, is as follows:

	2018-19 £	Restated 2017-18 £
Emoluments of the Principal		
Salary	194,176	187,267
Payment in lieu of pension	32,968	31,763
Taxable benefits – health and accommodation	9,500	9,200
Non-taxable benefits – accommodation	11,797	11,557
Total remuneration	248,440	239,787

Expenses

All staff are expected to adhere to principles of seeking value for money, in hospitality, business travel, accommodation or otherwise. Expenses are expected to be reasonable and not excessive.

The expenses of the Principal are authorised by the Chair of the Governing Body. The expenses of the Director of Finance are authorised by the Principal. All other staff expenses are authorised by the Director of Finance.

Public Sector Trade Union Facility Time

The Academy is required to report on the paid time off during working hours for trade union representatives to carry out trade union duties. This data covers the period 1 April 2018 to 31 March 2019.

Total number and FTE of union officials employed	0 no and 0 FTE
Percentage of time spent on facility time	0%
Total cost of facility time	£-
Total pay bill	£11,913,437
Percentage of pay bill spent on facility time	0%
Time spent on paid trade union activities as a percentage of total paid facility hours	0%

Independent Auditors' Report to the Academy's Governing Body

Opinion

We have audited the financial statements of the Royal Academy of Music ('the Academy') and its subsidiaries (the 'group') for the year ended 31 July 2019 which comprise the Consolidated and Academy Statements of Comprehensive Income and Expenditure, the Consolidated and Academy Statement of Changes in Reserves, the Consolidated and Academy Balance Sheet, the Consolidated Cash Flow statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice)).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the Academy's affairs as at 31 July 2019, and of the group's and Academy's surplus, comprehensive income and expenditure, gains and losses, and changes in reserves and of the group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Basis for opinion

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

Conclusions relating to going concern

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

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

The impact of uncertainties due to Britain exiting the European Union on our audit

- The Governing Body's view on the impact of Brexit is disclosed on page 14. The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Academy's activities, staff, students, suppliers and the wider economy.
- We considered the impact of Brexit on the Academy as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Academy's future prospects and performance.
- However, no audit should be expected to predict the unknowable factors or all possible implications for the Academy and this is particularly the case in relation to Brexit.

Other information

The Governing Body is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 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.

Responsibilities of the Governing Body

As explained more fully in the Statement of Responsibilities of the Governing Body set out on pages 28 and 29, the Governing Body 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 they 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 Governing Body is responsible for assessing the group and Academy'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 Governing Body intends 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other Required Reporting

Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

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

Use of the audit report

This report is made solely to the Governing Body as a body in accordance with Academy's Supplemental Royal Charter and its Schedule of Bye-Laws and the Governing Body's Statement of Primary Responsibilities. Our audit work has been undertaken so that we might state to the Governing Body 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 group and Academy and the Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Chartered Accountants and Statutory Auditors
90 Victoria Street
Bristol BS1 6DP

Statement of Accounting Policies

FRS 102 is the new single comprehensive Financial Reporting Standard and SORP 2015 is the education sector's interpretation of FRS 102.

1. Accounting Convention

The Financial Statements have been prepared under the historical cost convention, modified for the revaluation of the Academy's listed investments, in accordance with applicable Accounting Standards and the Statement of Recommended Practice: 'Accounting for Further and Higher Education' (SORP), published in March 2014. The institution is a public benefit entity and has therefore applied the relevant public benefit requirement of the applicable accounting standards.

2. Basis of Consolidation

The consolidated Financial Statements comprise the Academy's activities and those of its charitable subsidiary undertaking, the RAM Collections Trust, as well as its trading subsidiary, Academy Chimes Limited. RAM Development Company Limited was dormant during the year. The consolidated Financial Statements do not include those of the Students' Union because the Academy does not control those activities as it is a separate entity. Intra-group transactions are eliminated on consolidation.

3. Recognition of Income

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

Fee income is credited to income over the period in which students are studying. Bursaries funded from external donations or endowment income are omitted from expenditure and fee income and recognised as donations or interest receivable accordingly. Bursaries funded from general or designated funds are included within bursary expenditure and fee income.

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

Grants and Donations

A Performance Related Condition (PRC) is a condition that requires the performance of a particular level of service or units of output to be delivered with payment of, or entitlement to, the resources conditional on that performance.

Grants and donations without PRC or any other type of restriction are recognised in full within the Consolidated Statement of Comprehensive Income and Expenditure on entitlement to the income. This includes donations of assets.

Government and non-government grants with PRCs include annual grants such as OfS or Funding Council Teaching and Research grant and bursary grants where the academic year and/or students to whom the grants relate are stipulated. They may also include grants for specific research projects to fund academic posts over a number of years. These grants are deferred on the balance sheet until the PRC has been met, at which point the grant is released to income.

Where no PRC attaches to a government or non-government grant but there are nevertheless restrictions imposed on the use of funds, the grant income is recognised in full when the Academy is entitled to the income. It is retained within a restricted reserve until being used in line with the restriction, at which point a reserve transfer is made to release the reserve to general funds.

Capital grants are treated in the same way as revenue grants.

Endowments

An endowment fund is a form of charitable trust retained for the benefit of the Academy for the long-term and is subdivided into a capital and accumulated income element. A donation to establish an endowment fund which prohibits conversion of capital to income creates a 'permanent'

endowment fund and such funds must generally be held indefinitely. If the Academy has power to use the capital then the endowment fund is 'expendable' although the Academy would be unlikely to use this power in the short-term.

The investment income from permanent endowment funds may be restricted or unrestricted in use depending on the requirements of the donor whereas investment income from expendable endowment funds will always be restricted in use.

New endowment funds are credited to the Consolidated Statement of Comprehensive Income and Expenditure on entitlement and then transferred to an endowment fund within the Balance Sheet. Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure and, if restricted, reserved within the endowment fund for future spend in accordance with restrictions. Expenditure against the restricted endowment fund is debited to the Consolidated Statement of Comprehensive Income and Expenditure and charged to the endowment fund.

Appreciation/depreciation of endowment investments is recorded within the Consolidated Statement of Comprehensive Income and Expenditure and then transferred to the capital element of the endowment funds.

Other Investment Income

Other investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis. Appreciation/depreciation of investments is credited/debited to the Consolidated Statement of Comprehensive Income and Expenditure and then transferred to the General Fund or Endowment funds, as appropriate.

4. Accounting for Retirement Benefits

The Academy contributes to four different pension schemes for current employees: the TPS; a GPPS; the NEST; and the USS. The TPS and USS are defined benefit schemes, externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries. The GPPS and NEST are defined contribution schemes.

The assets of the TPS are held in separate trustee-administered funds. Because of the nature of the Scheme, the Scheme's assets are not hypothecated to individual institutions and Scheme-wide contributions are set. The Academy is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis. Therefore, it accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the Scheme in respect of the accounting period.

The USS is a multi-employer hybrid scheme, providing defined benefits (for all members) as well as defined contribution benefits. The assets of the Scheme are held in a separate trustee-administered fund. Because of the mutual nature of the Scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The Academy is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the Academy therefore accounts for the Scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income and Expenditure represents the contributions payable to the Scheme. Since the Academy has entered into an agreement (the recovery plan) that determines how each employer within the Scheme will fund the overall deficit, a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised. The Academy had only seven members in the USS at the end of 2018-19.

The Academy also operates a defined benefit pension scheme, The Royal Academy of Music Pension Scheme 1967 (RAM1967), which is closed to new members, and which provides retirement benefits based on the length of service and final pensionable salary for certain employees. The operating and financing costs of the Scheme are recognised separately in the income and expenditure account. Service costs are spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The cost of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The differences between actual and expected returns during the year, including changes in actuarial assumptions are recognised in

the Statement of Comprehensive Income and Expenditure. The Academy's net obligation in respect of the RAM1967 Scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods: that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs are deducted.

5. Employment Benefits

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

6. Leases

Rental costs under operating leases are charged to expenditure in equal annual amounts over the term of the lease. Any lease premiums or incentives are spread over the lease term.

7. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Musical Instrument Collection assets which were revalued to fair value prior to 1 August 2014, the date of transition to the revised SORP, are measured on the basis of deemed cost, being the revalued amount at the transition date.

Impairment reviews are carried out if changes in conditions or events indicate the carrying amount of a fixed asset may not be recoverable.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each balance sheet.

Donations received towards the cost of buildings or other assets are released to income on entitlement or when PRCs, if they exist, have been met (refer to income recognition policy for further details). The income is then transferred to a restricted reserve to fund remaining asset purchase costs.

Land and Buildings

Expenditure that adds value to the main Academy property is capitalised and depreciated over 40 years on a straight line basis.

Academy buildings are being depreciated over 90 years, in line with the length of the lease.

A componentisation approach has been applied to the recently completed Susie Sainsbury Theatre and Angela Burgess Recital Hall. The structures are being depreciated over 50 years but other components are being depreciated over 10, 20 or 25 years.

The York Gate building was acquired with the aid of a specific grant from the Heritage Lottery Fund and was subsequently refurbished. The refurbishment costs of the York Gate building and the cost of the David Josefowitz Recital Hall have also been capitalised and are being depreciated over 71 and 28 years respectively. Fit-out costs for York Gate are being depreciated over 13 years. The depreciation for the York Gate buildings was recalculated on transfer of the assets to the Academy in 2013.

The fit-out costs of the Cross Keys practice rooms are being depreciated over 10 years, this being the length of the lease.

Buildings under construction within the Academy are accounted for at cost based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Equipment and Collection of Musical Instruments

Expenditure on the purchase of equipment and other items is depreciated on a straight line basis as follows:

Equipment/working instruments/artefacts

5, 8, 10, 15, 20, 25 or 40 years or not depreciated

Collection of Prestigious Musical Instruments

Not depreciated as their long economic life and high residual value mean depreciation is not material

Assets in excess of £5,000 are capitalised. All other equipment is written off in the year of acquisition.

8. Heritage Assets

Since its foundation in 1822, the Academy has acquired important collections of instruments, manuscripts, paintings, photographs, busts, drawings, teaching aids and artefacts, batons, furnishings, memorabilia and other objects which have been bought or donated over the years. The majority of the instruments have been valued and are recorded in the Balance Sheet, most as working assets but a few, primarily stringed instruments made by Stradivari and Amati, are considered to be of such international importance that they are not generally used for educational or musical purposes but are on display in the Academy's museum, which is open to the public. Consequently they fall to be treated as heritage assets as they are held primarily for their contribution to knowledge and culture. The Spencer Collection and the Menuhin Collection were both purchased by the Academy and are also included in the Balance Sheet as heritage assets. The other items of the type described above are numerous and many have relatively low intrinsic values, however many of them have unique associations with their original owner or with the Academy. These assets are not considered to be of a heritage nature but are nevertheless an important part of the Academy's history and assist in preserving its reputation and attraction to current and potential students and teachers. Full details of the collections, which are fully catalogued and include both heritage and non-heritage assets, together with opening times for the museum and access policy, are given on the Academy's website at www.ram.ac.uk/museum.

The key stringed instruments that are held as heritage assets (all of which have been donated to the Academy) are included in the Balance Sheet at fair value as at 1 August 2014, the date of transition to SORP, and are no longer revalued. The carrying amounts are reviewed annually for impairment. Donated heritage assets are not depreciated as, given their long economic life and high residual value, depreciation would not be material. Heritage assets purchased by the Academy are included in the Financial Statements at cost and are depreciated over 40 years. Costs in connection with the preservation and conservation of heritage assets are charged to the Income and Expenditure Account as they are incurred.

9. Investments

Listed investments held within Non-Current investments are stated at market value at the Balance Sheet date. Gains or losses are attributed to the appropriate fund.

Current asset investments are held at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure. They include building society deposits with a deposit term greater than 90 days.

10. Cash and Cash Equivalents

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and cash deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. They include building society deposits with a deposit term less than 90 days and no material penalty for early withdrawal.

11. Stock

The majority of the stock held relates to the Academy Chimes music shop with minor amounts for canteen stock. Stock is stated at the lower of cost and net realisable value.

12. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when:

- a) The Academy has a present legal or constructive obligation as a result of a past event.
- b) It is probable that an outflow of economic benefits will be required to settle the obligation.
- c) A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the Academy a possible obligation whose existence will only be confirmed by the occurrence of otherwise uncertain future events not wholly within the control of the Academy. Contingent liabilities also arise in circumstances where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Academy a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within its control.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the Notes.

Maintenance of Premises

The Academy has a provision for the maintenance of its buildings which it is required to carry out in accordance with the terms of its lease. This is based on a 15 year maintenance plan which is reviewed on an annual basis. The provision represents the estimated cost, at the Balance Sheet date, of maintenance work falling due within the cyclical programme under the lease.

The cost of routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

13. Taxation Status

As a registered charity the Academy is exempt from taxation in respect of income received within categories covered by Part II of the Corporation Tax Act 2010, to the extent that such income is applied exclusively for charitable purposes. The Academy is partially exempt in respect of Value Added Tax (VAT) so it can only recover a minor element of VAT charged on its inputs.

14. Reserves

Reserves are allocated between restricted and unrestricted reserves. Restricted reserves include endowments (see Note 16) and non-endowment funds which the donor has designated for a specific purpose.

15. Significant Estimates and Accounting Judgements

In the preparation of the 2019 consolidated Financial Statements, it is the responsibility of management to make informed judgements and estimates that affect the reported values for assets, liabilities, income and expenditure.

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting date of 31 July 2019, are listed as follows:

Deferred Benefit Scheme Pension Provision

The Academy is the sole member of the RAM1967 Pension Scheme which is a defined benefit scheme, and for which a provision is recorded within the balance sheet. The recognised liability is based on the valuation provided by professionally qualified independent actuaries which is based on a number of assumptions. These include the future cash flows of the Scheme, the discount rate used (which is based on average AA rated UK corporate bond rates that reflect the duration of our liability), the pensionable salary growth going forward and proposed price inflation (which is based on the RPI). Further details can be found in Note 18.

The net interest expense is based on the interest rates of AA rated corporate bonds and the deficit position.

Management review the assumptions made to derive the provisions recorded within the Balance Sheet to ensure that they are reasonable.

USS Pension Provision

The provision for the USS deficit is based on current contribution rates and there is a significant risk that the year-end provision as calculated will not reflect the position following the outcome of negotiations on future deficit contributions and their duration.

16. Prior Year Adjustments

During 2018-19 the Academy applied componentisation when calculating depreciation for the new theatre and recital hall. This change of approach meant that costs for 2017-18 were higher than calculated at the time. As a result, depreciation for 2017-18 has increased by £217,000 and the surplus has reduced to £13,119,000.

The Principal's emoluments in note 7 have also been re-stated to provide a split of the accommodation costs between taxable and non-taxable.

17. Post Balance Sheet Events

The 2018 USS actuarial valuation was finalised after 31 July 2019. This indicated a shortfall of £3.6bn, and a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan, as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019, and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £210,000k, which is £148k lower than the provision stated in the balance sheet. The costs included in the Statement of Comprehensive Income would also have been reduced by £148,000. This adjustment will be reflected in the Academy's Financial Statements for the year ended 31 July 2020.

Consolidated Statement of Comprehensive Income and Expenditure

	Note	Consolidated 2019 £000	Academy 2019 £000	Restated Consolidated 2018 £000	Restated Academy 2018 £000
Income					
Tuition Fees	1	10,758	10,759	10,458	10,458
OfS and Funding Council Grants	2	5,016	5,016	5,818	5,818
Research Grants and Contracts	3	11	11	31	31
Other Income	4	2,030	1,789	1,746	1,473
Investment Income	5	1,374	1,373	1,436	1,435
Total Income before Donations and Endowments		19,189	18,948	19,489	19,215
Donations and Endowments	6	5,857	5,857	6,577	6,577
Theatre donations	6	743	743	7,806	7,806
Total Income		25,789	25,548	33,872	33,598
Expenditure					
Staff Costs	7	13,025	13,025	11,630	11,630
Other Operating Expenses		10,155	9,914	9,537	9,264
Depreciation	10	1,776	1,746	1,313	1,283
Interest and Other Finance Costs	8	100	100	112	112
Total Expenditure	9	25,056	24,785	22,592	22,289
Operating Surplus before Other Gains or Losses		733	763	11,280	11,309
Gain on Disposal of Fixed Assets		-	-	33	33
(Loss)/Gain on Investments		(532)	(532)	1,665	1,665
Surplus for the Year		201	231	12,978	13,007
Actuarial (Loss)/Gain in respect of RAM1967 Pension Scheme		(122)	(122)	141	141
Total Comprehensive Income for the year		79	109	13,119	13,148
Represented by:					
Endowment comprehensive income for the year		(149)	(149)	1,679	1,679
Restricted comprehensive income for the year		805	805	9,480	9,480
Unrestricted comprehensive income for the year		(508)	(478)	1,712	1,741
Revaluation reserve comprehensive income for the year		(69)	(69)	248	248
		79	109	13,119	13,148

Since the introduction of the SORP 2015, capital donations for the new theatre are required to be included as income, which produced a surplus of £13,119,000 in 2017-18. Work is now complete but the depreciation charges associated with the capital expenditure has led to a much smaller surplus, as was to be expected, in 2018-19.

The operating surplus after exclusion of these restricted donations and exclusion of the proportion of theatre depreciation that is funded by donations received in prior years is shown below.

	2019 £000	Restated 2018 £000
Total Comprehensive Income for the year from above	79	13,119
Exclude Endowment comprehensive income (generally restricted in use)	149	(1,679)
Exclude Restricted comprehensive income (mainly theatre donations)	(805)	(9,480)
Exclude Revaluation reserve comprehensive income (notional sum)	69	(248)
Exclude Actuarial loss/(gain) on RAM1967 Pension Scheme for the year	122	(141)
Exclude Depreciation re externally funded proportion of theatre project	743	433
Operating surplus after adjustments	357	2,004

The Notes on pages 45 to 59 form part of these financial statements.

All items of income and expenditure arise from continuing operations.

Consolidated and Academy Statement of Changes in Reserves

Consolidated	Income and Expenditure Account			Revaluation Reserve £000	Total £000
	Endowment £000	Restricted £000	Unrestricted Restated £000		
Balance at 1 August 2017	36,527	628	120,793	724	158,672
Surplus/(deficit) from the income and expenditure statement	1,679	9,480	1,929	248	13,336
Release of restricted capital funds spent in year	-	(8,823)	8,823	-	-
Balance at 1 August 2018	38,206	1,285	131,545	972	172,008
Prior year adjustment	-	-	(217)	-	(217)
Balance at 1 August 2018 restated	38,206	1,285	131,328	972	171,971
(Deficit)/surplus from the income and expenditure statement	(149)	805	(508)	(69)	79
Release of restricted capital funds spent in year	-	(818)	818	-	-
Balance at 31 July 2019	38,057	1,272	131,638	903	171,870

Academy	Income and Expenditure Account			Revaluation Reserve £000	Total £000
	Endowment £000	Restricted £000	Unrestricted Restated £000		
Balance at 1 August 2017	36,527	628	120,013	724	157,892
Surplus from the income and expenditure statement	1,679	9,480	1,958	248	13,365
Release of restricted capital funds spent in year	-	(8,823)	8,823	-	-
Balance at 1 August 2018	38,206	1,285	130,794	972	171,257
Prior year adjustment	-	-	(217)	-	(217)
Balance at 1 August 2018 restated	38,206	1,285	130,577	972	171,040
(Deficit)/surplus from the income and expenditure statement	(149)	805	(478)	(69)	109
Release of restricted capital funds spent in year	-	(818)	818	-	-
Balance at 31 July 2019	38,057	1,272	130,917	903	171,149

Consolidated and Academy Balance Sheet

	Note	Consolidated 2019 £000	Academy 2019 £000	Restated Consolidated 2018 £000	Restated Academy 2018 £000
Non-Current Assets					
Fixed Assets:					
Heritage	10a	67,083	66,363	67,136	66,386
Operational	10a	55,883	55,883	56,820	56,820
		122,966	122,246	123,956	123,206
Non-Current Investments	11	41,642	41,642	42,352	42,352
		164,608	163,888	166,308	165,558
Current Assets					
Stock		104	17	99	6
Trade and Other Receivables	12	894	884	1,447	1,442
Current Investments	13	4,016	4,016	3,002	3,002
Cash and Cash Equivalents		10,839	10,816	8,929	8,904
		15,853	15,733	13,477	13,354
Creditors: Amounts falling due within one year	14a	(4,774)	(4,742)	(4,012)	(3,981)
Net Current Assets		11,079	10,991	9,465	9,373
Total Assets less Current Liabilities		175,687	174,879	175,773	174,931
Creditors: Amounts falling due after more than one year	14b	(87)	-	(91)	-
Provisions					
Pension Provisions	15	(3,573)	(3,573)	(3,760)	(3,760)
Other Provisions	15	(157)	(157)	(131)	(131)
Total Net Assets		171,870	171,149	171,791	171,040
Restricted Reserves					
Income and Expenditure Reserve - Endowment	16	38,057	38,057	38,206	38,206
Income and Expenditure Reserve - Restricted	17	1,272	1,272	1,285	1,285
		39,329	39,329	39,491	39,491
Unrestricted Reserves					
Income and Expenditure Reserve - Unrestricted		131,638	130,917	131,328	130,577
Revaluation reserve		903	903	972	972
		132,541	131,820	132,300	131,549
Total Funds		171,870	171,149	171,791	171,040

The Notes on pages 45 to 59 form part of these Financial Statements

The Financial Statements were approved by the Governing Body and authorised for issue on 25 November 2019.

Dame Jenny Abramsky
Chair of Governing Body

Professor Jonathan Freeman-Attwood
Principal

Consolidated Cash Flow Statement

	Note	2019 £000	Restated 2018 £000
Cash flow from operating activities			
Surplus for the year		201	12,978
Adjustments for non-cash items			
Depreciation of Fixed Assets	10a	1,776	1,313
Loss/(gain) on investments	11	532	(1,665)
(Increase)/decrease in stocks		(5)	6
Decrease/(increase) in debtors	12	553	(894)
Increase/(decrease) in creditors	14	762	(1,099)
Decrease in pension provisions	15	(309)	(354)
Increase in other provisions	15	26	24
Receipt of donated equipment	6	-	(23)
Adjustment for investing or financing activities			
Investment income	5	(1,374)	(1,436)
New endowments	16	(433)	(238)
Profit on sale of fixed assets		-	(33)
Capital grant income		(802)	(9,138)
Net cash inflow/(outflow) from operating activities		927	(559)
Cash flows from investing activities			
Proceeds from sale of operational tangible assets		-	36
Capital grant receipts		802	9,138
Disposal of non-current asset investments		11,776	927
Withdrawal of current asset investments deposits		2,009	4,283
Investment income		1,374	1,436
Purchase of operational tangible fixed assets		(786)	(11,072)
New non-current asset investments		(11,597)	(1,363)
New current asset investment deposits		(3,023)	(3,022)
		555	363
Cash flows from financing activities			
New endowments received	16	433	238
Bonus shares		(1)	(1)
Repayments of amounts borrowed		(4)	(4)
		428	233
Increase in cash and cash equivalents in the year		1,910	37
Cash and cash equivalents at 1 August 2018		8,929	8,892
Cash and cash equivalents at 31 July 2019		10,839	8,929

Notes to the Financial Statements

	Consolidated 2019 £000	Academy 2019 £000	Consolidated 2018 £000	Academy 2018 £000
1. Tuition fees				
Full-time UK and EU	5,718	5,719	5,622	5,622
Full-time International	4,083	4,083	3,957	3,957
Junior and Intermediate	957	957	879	879
	<u>10,758</u>	<u>10,759</u>	<u>10,458</u>	<u>10,458</u>
2. OfS and Funding Council Grants				
Recurrent Teaching grant	4,380	4,380	4,473	4,473
Recurrent Research grant	328	328	301	301
Other Special funding	150	150	150	150
Capital grant	158	158	894	894
	<u>5,016</u>	<u>5,016</u>	<u>5,818</u>	<u>5,818</u>
3. Research Grants and Contracts				
Research Councils	11	11	31	31
	<u>11</u>	<u>11</u>	<u>31</u>	<u>31</u>
4. Other Income				
Residences and catering	860	860	705	705
Other operating income	1,170	929	1,041	768
	<u>2,030</u>	<u>1,789</u>	<u>1,746</u>	<u>1,473</u>
5. Investment Income				
Investment income	1,281	1,281	1,380	1,380
Other interest receivable	93	92	56	55
	<u>1,374</u>	<u>1,373</u>	<u>1,436</u>	<u>1,435</u>
6. Donations and Endowments				
New Endowments	434	434	238	238
PRC income utilised	1,304	1,304	1,657	1,657
Restricted donations	2,090	2,090	8,856	8,857
Unrestricted donations *	2,772	2,772	3,609	3,609
Donation of assets (non-cash)	-	-	23	23
	<u>6,600</u>	<u>6,600</u>	<u>14,383</u>	<u>14,384</u>

* includes donation income of £1,687,500 from the ABRSM (£1,597,500: 2018)

7. Staff

	Consolidated 2019 £000	Academy 2019 £000	Restated Consolidated 2018 £000	Restated Academy 2018 £000
Staff Costs				
Wages and salaries	10,789	10,789	9,786	9,786
Social Security costs	948	948	880	880
Change in USS pension provision parameters	238	238	(11)	(11)
Other pension costs	1,050	1,050	975	975
	<u>13,025</u>	<u>13,025</u>	<u>11,630</u>	<u>11,630</u>
Principal's Emoluments	£		£	
Salary	194,176		187,267	
Benefits	3,917		3,681	
Pension contributions & pay in lieu of pension contributions	32,968		31,763	
Accommodation - taxable	5,583		5,519	
Accommodation - non-taxable	11,797		11,557	
	<u>248,441</u>		<u>239,787</u>	

The Principal is no longer part of a pension scheme therefore his salary contains a pension equivalent, now rolled into a single sum. This is shown separately above.

The Principal is required as part of his contract to live on the Academy premises. The premises are an integral part of the main Academy building and the apportioned costs associated with the Principal's use of the residence are £17,380 (£17,076: 2018). The space is also used by chamber groups for rehearsal and coaching, for visiting performers, for cataloguing by the Library staff and for quiet working.

The Principal's remuneration is set by the Remuneration Committee (of which the Principal is not a member) after consideration of his performance over time, his success in meeting strategic objectives, and of salaries at other comparable higher education institutions, nationally and internationally. This includes particular reference to other conservatoires and specialist institutions and recognises the status of the Academy as a world-class institution. He has, over a decade, led the Academy in increasing student numbers of exceptional quality and recruiting staff of institutional repute, achieving consistently high rankings in relevant league tables through delivery of teaching, and measuring success in outstanding graduate destination outcomes. Attracting additional philanthropic income for improved facilities and student bursaries and scholarships forms an additional component in recent years. The salary does not reflect a corporate world equivalent but rather takes into account the skills required to run a high-level and complex institution of this kind, with long working hours. The Principal's success was validated when HEFCE concluded, as part of the review of institution-specific funding, that "This institution was seen to be setting global standards in conservatoire education. There was compelling evidence that hugely impressive major international artists were both engaging with and emerging from the institution. Collaborations with other leading institutions around the world were seen as indicative of the esteem in which peer groups hold the Royal Academy of Music."

The Principal's salary was last reviewed in May 2016, when he withdrew from the pension scheme.

The Principal's basic salary is 4.57 times (4.50 times: 2017-18) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the Academy to its staff. In 2017-18 the Academy's ratio was the lowest of the London music conservatoires and was towards the bottom of the table for all higher education institutions.

The Principal's total remuneration is 5.85 times (5.76 times: 2017-18) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration paid by the Academy to its staff.

Severance payments totalling £65,337 were made to two members of staff in 2018-19.

The number of staff, excluding the Principal, who received emoluments (including taxable benefits but excluding employer's pension contributions) in excess of £100,000 in the following ranges was:

Range	2019	2018
£125,000 - £129,999	1	1

The average number of persons employed by the Academy and the Group during the year, expressed as full-time equivalents (FTE), are shown in the table below:

Staff numbers	2019 FTE	2018 FTE
Teaching *	155	156
Support	6	7
Other academic services	17	16
Central administration and services	44	43
General education	18	18
Student/staff facilities	3	3
Premises	20	18
Catering and residence	7	7
	<u>270</u>	<u>268</u>

* The figures above include the following Junior Academy teaching staff 16 16

Key Management Personnel

Key Management Personnel comprises the Senior Management Team, including the Principal, being those persons having authority and responsibility for planning, directing and controlling the activities of the Academy.

	2019 £000	2018 £000
Key management personnel compensation	<u>710</u>	<u>709</u>

8. Interest and other finance costs

	Consolidated 2019 £000	Academy 2019 £000	Consolidated 2018 £000	Academy 2018 £000
Net charge on pension schemes	<u>100</u>	<u>100</u>	<u>112</u>	<u>112</u>

9. Total expenditure by activity

	Consolidated 2019 £000	Academy 2019 £000	Restated Consolidated 2018 £000	Restated Academy 2018 £000
Teaching	8,833	8,833	8,359	8,359
Support	511	511	438	438
Other academic services	714	714	703	703
Central administration and services	4,019	4,015	3,300	3,296
General education	3,860	3,860	3,461	3,461
Student/staff facilities	227	227	185	185
Premises	5,418	5,388	4,798	4,768
Long-term maintenance	62	62	58	58
Catering and Residence	1,060	1,060	874	874
Research grants and contracts	11	11	31	31
Other services rendered - Academy Chimes	241	4	273	4
Other expenses	100	100	112	112
	25,056	24,785	22,592	22,289
Other operating expenses include:				
External auditors' remuneration in respect of audit services	56		55	
External auditors' remuneration in respect of non-audit services	9		-	
Internal auditors' remuneration	21		19	
Operating lease rentals				
Land and buildings	1,340		1,082	
Other	44		43	

10. Tangible Fixed Assets

a) Consolidated

Cost or valuation	Operational			Heritage			Total	
	Long Leasehold Land and Buildings	Equipment	Operational Instrument Collection	Subtotal	Heritage Instrument Collection	Menuhin & Spencer Collections	Subtotal	Grand Total
				Operational Assets			Heritage Assets	
				Cost			Cost	
£000	£000	£000	£000	£000	£000	£000	£000	
At 1 August 2018	53,062	9,050	7,247	69,359	65,820	2,103	67,923	137,282
Additions	636	150	-	786	-	-	-	786
Disposals	-	(7)	-	(7)	-	-	-	(7)
Transfer	-	-	-	-	-	-	-	-
At 31 July 2019	53,698	9,193	7,247	70,138	65,820	2,103	67,923	138,061
Depreciation								
At 1 August 2018	8,708	3,614	-	12,322	-	787	787	13,109
Prior Year Adjustment	217			217			-	217
At 1 August 2018	8,925	3,614	-	12,539	-	787	787	13,326
Disposals	-	(7)	-	(7)	-	-	-	(7)
Charge for the year	1,343	380	-	1,723	-	53	53	1,776
At 31 July 2019	10,268	3,987	-	14,255	-	840	840	15,095
Net Book Value								
At 31 July 2019	43,430	5,206	7,247	55,883	65,820	1,263	67,083	122,966
At 31 July 2018	44,354	5,436	7,247	57,037	65,820	1,316	67,136	124,173
Prior Year Adjustment	(217)	-	-	(217)	-	-	-	(217)
At 31 July 2018	44,137	5,436	7,247	56,820	65,820	1,316	67,136	123,956

99% of the value of instruments held as heritage assets is represented by 22 stringed instruments including 6 made by Antonio Stradivari.

There were no disposals of heritage assets during the year (nil: 2018).

b) Academy

Cost or valuation	Operational			Heritage			Total	
	Long Leasehold Land and Buildings	Equipment	Instrument Collection	Subtotal	Heritage Instrument Collection	Menuhin & Spencer Collections	Subtotal	Grand Total
				Operational Assets			Heritage Assets	
				Cost			Cost	
£000	£000	Valuation	£000	Valuation	Cost	£000	£000	
At 1 August 2018	50,285	9,053	7,248	66,586	65,820	905	66,725	133,311
Additions	636	150	-	786	-	-	-	786
Disposals	-	(7)	-	(7)	-	-	-	(7)
At 31 July 2019	50,921	9,196	7,248	67,365	65,820	905	66,725	134,090
Depreciation								
At 1 August 2018	5,936	3,613	-	9,549	-	339	339	9,888
Prior Year Adjustment	217	-	-	217	-	-	-	217
At 1 August 2018	6,153	3,613	-	9,766	-	339	339	10,105
Disposals	-	(7)	-	(7)	-	-	-	(7)
Charge for the year	1,343	380	-	1,723	-	23	23	1,746
At 31 July 2019	7,496	3,986	-	11,482	-	362	362	11,844
Net Book Value								
At 31 July 2019	43,425	5,210	7,248	55,883	65,820	543	66,363	122,246
At 31 July 2018	44,349	5,440	7,248	57,037	65,820	566	66,386	123,423
Prior Year Adjustment	(217)	-	-	(217)	-	-	-	(217)
At 31 July 2018	44,132	5,440	7,248	56,820	65,820	566	66,386	123,206

11. Non-Current Investments

	Consolidated and Academy Total Investments £000
At Market Value	
At 1 August 2018	42,352
Purchases of investments	11,597
Proceeds from sales of investments	(11,776)
Loss on disposal/revaluation	(532)
Bonus issue	1
At 31 July 2019	41,642
Represented by:	
Equities	28,966
Fixed Interest Stocks	3,464
Property	3,921
Other	5,291
	<u>41,642</u>

12. Trade and Other Receivables

	Consolidated 2019 £000	Academy 2019 £000	Consolidated 2018 £000	Academy 2018 £000
Amounts falling due within one year:				
Trade Debtors	160	157	146	143
Prepayments and accrued income	734	727	1,301	1,299
	<u>894</u>	<u>884</u>	<u>1,447</u>	<u>1,442</u>

13. Current Investments

	Consolidated 2019 £000	Academy 2019 £000	Consolidated 2018 £000	Academy 2018 £000
Short-term deposits	<u>4,016</u>	<u>4,016</u>	<u>3,002</u>	<u>3,002</u>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months' maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit on placement

At 31 July 2019 the weighted average interest rate of these fixed rate deposits was 1.25% per annum and the remaining weighted average period for which the interest rate was fixed was 175 days. The fair value of the deposits was not materially different from book value.

14. Creditors

	Consolidated 2019 £000	Academy 2019 £000	Restated Consolidated 2018 £000	Restated Academy 2018 £000
a) Amounts falling due within one year:				
Trade Creditors	18	-	9	-
Fees in Advance	2,339	2,339	2,162	2,162
Deferred Revenue (Performance Related Conditions)	653	653	489	489
Taxation and social security	363	366	13	14
Other Creditors and Accruals	1,401	1,384	1,339	1,316
	<u>4,774</u>	<u>4,742</u>	<u>4,012</u>	<u>3,981</u>

Deferred Revenue includes the following items of income which are deferred until specific performance related conditions are met:

Teaching grants	592	592	466	466
Research grants	39	39	-	-
Other grants	22	22	23	23
	<u>653</u>	<u>653</u>	<u>489</u>	<u>489</u>

b) Amounts falling due after more than one year:

Loan from Chimes Consultancy	87	-	91	-
	<u>87</u>	<u>-</u>	<u>91</u>	<u>-</u>

The loan from Chimes Consultancy shown above is interest free and unsecured. Chimes Consultancy manages the Academy Chimes shop. The loan is used to purchase stock for the shop which commenced trading on 1 August 2006. This loan is repayable in full at the end of the current management agreement which ends on 17 February 2023.

15. Provisions

	Consolidated & Academy USS deficit funding obligation £000	RAM1967 defined benefit obligation £000	Total Pension Provisions £000	Other Provisions - Leasehold Dilapidations £000
At 1 August 2018	124	3,636	3,760	131
Transfer from Income and Expenditure Account	240	407	647	62
Utilised in year	(6)	(828)	(834)	(36)
At 31 July 2019	<u>358</u>	<u>3,215</u>	<u>3,573</u>	<u>157</u>

The obligation to fund the past deficit on the USS arises from the contractual obligation with the pension scheme to fund deficit payments in accordance with the deficit recovery plan. In calculating this provision management has estimated future staff levels within the USS and inflation for the duration of the contractual obligation.

The adoption of the deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision, which has increased from £83.1m to £248.4m. £164m of this is attributable to the change in the deficit contributions contractual commitment.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in Note 17 of the Statement of Accounting Policies. As at 31 July 2019, and with all other assumptions unchanged, this would have resulted in a revised provision of £210,000, a decrease of £148,000 from the year end provision of £358,000.

16. Endowment Reserve

	Consolidated and Academy					2018
	Unrestricted Permanent £000	Restricted Permanent £000	Subtotal Permanent £000	Restricted Expendable £000	Grand Total £000	Grand Total £000
Capital						
At 1 August 2018	6,127	23,875	30,002	7,190	37,192	35,550
Revaluation of endowment asset investments	(100)	(381)	(481)	(26)	(507)	1,404
New endowments received	268	96	364	69	433	237
Bonus issue	-	-	-	1	1	1
Capital applied for distribution	-	-	-	(50)	(50)	-
At 31 July 2019	6,295	23,590	29,885	7,184	37,069	37,192
Accumulated Income						
At 1 August 2018	-	646	646	368	1,014	977
Capital applied for distribution	-	-	-	50	50	-
Investment income	188	737	925	190	1,115	1,178
Expenditure	(188)	(766)	(954)	(237)	(1,191)	(1,141)
Net income (utilised)/accumulated in current year	-	(29)	(29)	(47)	(76)	37
At 31 July 2019	-	617	617	371	988	1,014
Total Funds						
At 1 August 2018	6,127	24,521	30,648	7,558	38,206	36,527
At 31 July 2019	6,295	24,207	30,502	7,555	38,057	38,206
Analysis by fund-type						
Bursary and prize funds	1,247	24,207	25,454	3,101	28,555	28,890
Teaching and masterclass funds	246	-	246	902	1,148	847
Development funds	4,792	-	4,792	-	4,792	4,869
Other funds	10	-	10	3,552	3,562	3,600
	6,295	24,207	30,502	7,555	38,057	38,206
Analysis by asset						
Investments					35,150	35,748
Cash					3,532	3,403
Other current assets/liabilities					(625)	(945)
					38,057	38,206

There are no deficit balances on any endowment fund.

17. Restricted Reserves

	Consolidated and Academy Unspent Capital Grants £000	Other Restricted Funds £000	2019 Total £000	2018 Total £000
At 1 August 2018	315	970	1,285	628
Donations	802	1,596	2,398	9,900
Investment income	-	10	10	10
Appreciation of restricted investments	-	(1)	(1)	13
Capital Grants utilised	(818)	-	(818)	(8,823)
Expenditure	-	(1,602)	(1,602)	(443)
At 31 July 2019	299	973	1,272	1,285

Analysis of Other Restricted Funds by type of purpose:

Bursary and prize funds	666	899
Teaching funds	30	24
Other funds	277	47
	<u>973</u>	<u>970</u>

18. Pension Scheme Costs

Superannuation contributions are paid to the Teachers' Pension Scheme (TPS) for teaching staff, to the Universities Superannuation Scheme (USS) for a small number of staff, to a Group Personal Pension Scheme (GPPS) for administrative staff or to the National Employment Savings Trust (NEST) for those not eligible for other schemes. The assets of these schemes are held separately from the assets of the Academy in independently administered funds. The Royal Academy of Music Pension Scheme 1967 (RAM1967) for administrative staff was closed to future accruals of pension benefit on 31 March 2005, however the Scheme continues to be operated by the Prudential Assurance Company and the Academy is undertaking deficit funding.

	2019 £000	2018 £000
Total pension cost for the year was:		
TPS: employer's contributions paid	581	553
GPPS: employer's contributions paid	373	360
USS: (gross including deficit recovery portion)	85	60
NEST: employer's contributions paid	17	11
Total pension cost	<u>1,056</u>	<u>984</u>

Teachers' Pension Scheme

The TPS is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Services Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pension Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of

pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The latest valuation of the TPS has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation, TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then employers will pay the current rate of 16.48%.

A copy of the latest valuation report can be found on the Teachers' Pension Scheme website at the following location <https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx>.

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of the Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of the public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, has rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject to age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

Universities Superannuation Scheme

The USS is a contributory, defined benefit scheme. At the end of the year the Academy had seven members.

The total cost charged to the profit and loss account is £85,000 (£60,000: 2018) as shown above.

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme is as at 31 March 2017 ('the valuation date') which was carried out using the projected unit method. A valuation as at 31 March 2018 was completed after 31 July 2019.

Since the institution cannot identify its share of USS Retirement Income Builder assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2017 valuation was the fourth valuation for the Scheme 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 the assets of the scheme was £60.0bn and the value of the scheme's technical provisions was £67.5bn indicating a shortfall of £7.5bn and a funding ratio of 89%.

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	As at 31 March 2019	As at 31 March 2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles

Pension increases (CPI)	Term dependent rates in line with the difference between the fixed interest and index linked yield curves, less 1.3%pa
Discount rate (forward rates)	Years 1-10: CPI -0.53% reducing linearly to CPI -1.32% Years 11-20: CPI +2.56% reducing linearly to CPI +1.7% by year 21 Years 21 +: CPI +1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2019	2018
Mortality base table	Pre-retirement 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. Post-retirement 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	As at 31 July 2019	As at 31 July 2018
Males currently aged 65 (years)	24.60	24.50
Females currently aged 65 (years)	26.10	26.00
Males currently aged 45 (years)	26.60	26.50
Females currently aged 45 (years)	27.90	27.80

	As at 31 July 2019	As at 31 July 2018
Scheme assets	£60.0bn	£63.6bn
Total scheme liabilities	£67.5bn	£72.0bn
FRS 102 total scheme deficit	£7.5bn	£8.4bn
FRS 102 total funding level	89.00%	88.00%

Royal Academy of Music Pension Scheme 1967

The Academy operates a funded defined benefit scheme which is managed by the Prudential Assurance Company Ltd and was closed to future accruals of pension benefit on 31 March 2015. The Academy is funding the scheme deficit with contributions of £355,000 per annum with effect from 1 August 2019 and increasing by 4.2% per annum from 1 January 2020. Additional contributions of £474,000 were made during 2018-19. Scheme liabilities have been valued using the projected unit method. A full actuarial valuation was carried out at 31 December 2018 and the results of that valuation have been projected to 31 July 2019 for FRS102 purposes. Liabilities have been increased by 1.5% as an estimate of the costs of GMP Equalisation.

Main assumptions used to value RAM1967 Scheme liabilities under FRS 102:	As at 31 July 2019	As at 31 July 2018
Discount rate	2.50%	2.90%
Inflation assumption – RPI	3.40%	3.30%
Inflation assumption – CPI	n/a	n/a
Rate of increase in salaries	n/a	n/a
Increases to deferred pensions in excess of GMP before retirement	5%*	5%*
Increases to pensions in payment for all members in respect of service up to 31 December 2003	5%*	5%*
Increase to Pension in payment for all members in respect of service after 1 January 2004	3.40%	3.30%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	0.00%	0.00%
*Fixed rates in rules of scheme		

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The expected age at death on retirement at age 65 are:

		As at 31 July 2019	As at 31 July 2018
Retiring today	Males	86.60	87.10
	Females	88.50	89.00
Retiring in 20 years	Males	88.30	88.80
	Females	90.40	90.90

	2019 £000	2018 £000
Analysis of amount charged to operating profit		
Past service cost/GMP Equalisation	(188)	-
Total operating charge	(188)	-

The total current service cost represents the expenses incurred in running the Scheme.

	2019 £000	2018 £000
Analysis of amount (charged)/credited to other finance income		
Expected return on pension scheme assets	278	298
Interest on pension scheme liabilities	(375)	(407)
Net charge to other finance income (Note 8)	(97)	(109)
Analysis of other comprehensive income/(loss)		
Actual return less expected return on pension scheme assets	1,216	(1,091)
Experience gains and losses arising on scheme liabilities	(1,338)	1,232
Total other comprehensive income/(loss)	(122)	141
Amounts recognised in the statement of financial position		
Present value of scheme liabilities	14,030	13,516
Fair value of scheme assets	10,815	9,880
Deficit in scheme - net pension liability	(3,215)	(3,636)

Reconciliation of Scheme assets and liabilities	2019			2018		
	Assets £000	Liabilities £000	Net £000	Assets £000	Liabilities £000	Net £000
Deficit in scheme at beginning of the year	9,880	(13,516)	(3,636)	10,610	(14,723)	(4,113)
Movement in year:						
Contributions	828	-	828	445	-	445
Past service cost	-	(188)	(188)	-	-	-
Other finance income/(charge)	278	(375)	(97)	298	(407)	(109)
Benefits paid	(1,387)	1,387	-	(382)	382	-
Actuarial gain/(loss)	1,216	(1,338)	(122)	(1,091)	1,232	141
Deficit in scheme at end of the year	10,815	(14,030)	(3,215)	9,880	(13,516)	(3,636)

Actual return on scheme assets	2019 £000	2018 £000
Expected return on pension scheme assets	278	298
Actuarial gain/(loss)	1,216	(1,091)
Actual return on scheme assets	1,494	(793)

Analysis of Scheme Assets	Long term ROR expected (incl annuities)	Long term ROR expected (incl annuities)
Equities	1,031	1,600
Bonds	4,234	3,286
Property	274	406
Cash	39	38
Total market value of invested assets	5,578	5,330
Secured pensions in payment	5,237	4,550
	10,815	9,880
Long term ROR expected (excluding Annuities)	2.50%	2.90%

History of experience gains and losses	2019	2018	2017	2016	2015
Experience adjustments on scheme assets					
Amount (£000)	1,216	(1,091)	(747)	930	778
Percentage of scheme assets	11.2%	(-11.0%)	(-7.0%)	7.5%	7.0%
Experience adjustments on scheme liabilities					
Amount (£000)	1,338	(1,232)	(3,216)	3,288	2,523
Percentage of scheme liabilities	(-9.5%)	9.1%	21.8%	(-17.1%)	(-16.0%)
Actuarial gain/(loss) recognised in other comprehensive income					
Amount (£000)	(122)	141	2,469	(2,358)	(1,745)
Percentage of scheme liabilities	0.9%	(-1.0%)	(-16.8%)	12.2%	11.0%
Cumulative actuarial gain/(loss) recognised in other comprehensive income	(6,698)	(6,576)	(6,717)	(9,186)	(6,828)
History of Defined Benefit Scheme					
Present Value of Defined Benefit Obligation	(14,030)	(13,516)	(14,723)	(19,254)	(15,804)
Fair Value of Scheme Assets	10,815	9,880	10,610	12,416	11,158
Surplus/(deficit) arising in the scheme	(3,215)	(3,636)	(4,113)	(6,838)	(4,646)

Group Personal Pension Scheme

A GPPS was started on 1 April 2005 for all administrative staff. This Scheme is a defined contribution scheme with employee and employer contributions based on length of service. £31,800 of contributions were outstanding at the balance sheet date and the amount of employer contributions paid during the year was £373,000 (£360,000: 2018).

19. Capital Commitments

Provision has not been made for the following capital commitments at 31 July 2019:

	Consolidated 2019 £000	Academy 2019 £000	Consolidated 2018 £000	Academy 2018 £000
Capital Commitments contracted for	251	251	20	20

20. Lease Obligations

Total rentals payable under operating leases:

	Land and Buildings £000	Plant and Machinery £000	2019 Total £000	2018 Total £000
Payable during the year	1,340	44	1,384	1,125
Future minimum lease payments due:				
Not later than 1 year	1,187	27	1,214	934
Later than 1 year and not later than 5 years	3,004	1	3,005	3,162
Later than 5 years	29,070	-	29,070	29,648
Total lease payments due	34,601	72	34,673	34,869

21. Related Party Transactions

The Independent Members of the Academy's Governing Body are the Trustees for charitable purposes. Due to the nature of the Academy's operations and the members of the governing Body being drawn from large public and private sector organisations, it is inevitable that transactions may take place with organisations in which a member of the Governing Body may have an interest. A Register of Interests is maintained for members of the Governing Body, senior officers of the Academy and directors of fully owned subsidiaries. The Register of Interests has been reviewed by the Director of Finance. All transactions involving organisation in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the Academy's financial Regulations and usual procurement procedures.

No Trustee (member of the Governing Body) received any remuneration or reimbursement of expenses during the year. On occasions Trustees may make donations for specific purposes but they receive nothing in exchange.

The RAM Student Union is a separate entity which is classed as a related party for the purposes of these financial statements. A grant of £42,600 (£42,600: 2018) was paid to the RAM SU for their work in supporting students during the year.

The Associated Board of the Royal Schools of Music is a registered charity (no 292182) and a company limited by guarantee (no 1926395), established by four Royal Schools of Music for the benefit of music education. The ABRSM makes an annual donation which is divided equally between the four Schools. The Board of the ABRSM includes members of the Governing Body of the Royal Academy of Music. The value of the donation from the ABRSM to the Academy was £1,687,500 (£1,597,500: 2018).

Academy Chimes is a subsidiary of the Royal Academy of Music. During the year Academy Chimes sold goods on behalf of the Academy at a total cost of £7,072. At the end of the year £1,771 was owed to the Academy.

There were no other related party transactions.

Patron

HM The Queen

President

HRH The Duchess of Gloucester GCVO

Principal

Professor Jonathan Freeman-Attwood CBE

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