



RNCM Financial Statements

31 July 2018

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RNCM
ROYAL NORTHERN
COLLEGE of MUSIC

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The Patron, The President and The Governors

Patron

HER MAJESTY THE QUEEN

President

SIR JOHN TOMLINSON CBE

Governors

Nick Prettejohn (Chair) ^{1, 3, 4, 5}

Martin Vander Weyer (Deputy Chair and member of the Board until 31 December 2017) ^{1, 3}

Carolyn Baxendale ^{2, 3}

Mark Blundell ¹ (member of the Board until 30 November 2017)

Chris Cox

Professor Lynne Dawson ^{4, 6}

Amy Ellison ²

Mike Emmerich ^{1, 4}

Diane Gilhooley ³ (until 30 November 2017)

Felicity Goodey ³

Jonathan Groves ^{4, 5} (until 31 December 2017)

Dr Jon Lamonte ²

Sir Alan Langlands

Audrey Lawrence-Mattis ⁶

Hazel Province ^{4, 5}

Sam Rigby ⁵ (from 1 January 2018)

David Roper ^{1, 2, 3} (member of Audit Committee to 31 December 2017) (Deputy Chair from 1 January 2018)

John Summers ¹

Blanc Wan ⁵ (until 31 December 2017)

Nick Ware ⁷

The Principal (Professor Linda Merrick) ^{1, 4, 5}

The President of the Students' Union (Theodore Fowler (to 30 June 2018), Kathy Hart (from 1 July 2018))

Clerk to the Board Of Governors

Dr Dawn Edwards

- | | |
|---|---|
| 1 | Member of Finance Committee |
| 2 | Member of Audit Committee |
| 3 | Member of Remuneration and Strategic Staffing Committee |
| 4 | Member of Nominations Committee |
| 5 | Member of Honorands Committee |
| 6 | Nominated by the Academic Board |
| 7 | Nominated by the Professional Services Staff |

A record of members' attendance at meetings of the Board and of its committees is maintained by the Clerk and monitored by the Nominations Committee. For the session 2017-18, no cause for concern has been identified.

Officers and Professional Advisers

Principal

Professor Linda Merrick, GRSM(Hons), MMus, PhD, ARAM, LRAM, FLCM, FRSA, HonVCM, ILTM

Deputy Principal

Dr John Gallacher, BA(Hons), DBA, FCA (to 31 July 2018)

Director Of Finance And Strategic Planning

Michèle Holden, FCCA (from 01 June 2018)

Vice Principal (Operations)

Susan Baines, BA(Hons), MBA

Director Of Performance

Manus Carey, BA, MMus, LGSM (from 04 Sept 2017)

Vice Principal (Academic)

Martin Harlow, BA(Hons), MPhil, PhD, Dip.NCOS, ARCM, FRNCM

Director Of Development

Suzie Thompson, BA (Hons) MInstF (Dip)

Bankers

Royal Bank of Scotland
38 Mosley Street
Manchester M2 3AZ

Solicitors

Mills & Reeve
8th Floor
1 New York Street
Manchester M1 4AD

External Auditors

KPMG LLP
One St Peter's Square
Manchester
M2 3AE

Address

124 Oxford Road
Manchester M13 9RD

A Higher Education Corporation established under the terms of the Education Reform Act 1988



Welcome from the Chair of the Board of Governors and the Principal

We are delighted to present the Royal Northern College of Music's Financial Statements for the year ended 31 July 2018.

The past 12 months have continued to be positive for the RNCM. In addition to a Teaching Excellence Framework Gold Award, which places us joint top of the conservatoire sector for teaching, and the recognition of being the UK's leading music college for Research following 2014's Research Excellence Framework, the College was awarded a Global Teaching Excellence Spotlight Award from Advance HE.

Announced in the summer, the 2017 National Student Survey results were strong, with the RNCM achieving 87% for overall student satisfaction, exceeding the sector-wide average of 83%. The 2017 Destination of Leavers in Higher Education Survey also proved positive, showing that 98% of the RNCM's graduates are either working or undertaking further study six months after completing their degrees. This exceptional result highlights our commitment to offering the very best real-world experience for students during their studies.

The Higher Education sector has continued to face considerable challenge and uncertainty as the UK prepares to leave the European Union and while the government undertakes a Post-18 Review, but as we approach the latter stages of our Strategic Plan, *RNCM 2020*, student recruitment, together with our regional, national and international reputation, remains extremely strong in an ever more competitive global market. The impressive achievements of our students and alumni – both in the UK and overseas – is testimony to the high quality dedicated staff and numerous professional partnerships we have developed throughout the world, reaffirming our position as a leading voice in music education and a hub for artistic innovation and creativity.

Through targeted interventions such as the *Junior RNCM* (our Saturday pre-tertiary music school for over 200 gifted young musicians aged 8-18 drawn from across

the North of England, the majority of whom are in receipt of substantial bursaries to support their studies), *RNCM Young Projects* (our unique specialist instrument-themed open access days for a further 200 pre-tertiary students learning under-represented instruments), *RNCM Pathfinder* (our collaboration with local music education hubs and the BBC Philharmonic to identify and support students facing severe disadvantage and help them to develop their musical potential), *RNCM Engage* (our extensive widening participation programme across a wide range of education and healthcare settings) and the contribution we make to the work of many education and professional partners in the region, we are reaching out to our local communities on a significant scale.

Complemented by over 500 student placements with organisations around the North West and nationally and our extensive programme of in-reach and outreach events, we consider this work to be essential if we are to fulfil our aspirations to support future generations of young musicians irrespective of background and deliver on our ambitious access and participation targets.

At the end of this financial year, the College's net assets totalled £50.3m, indicating another solid financial performance. As we face an ever more challenging and uncertain external climate, we recognize there is no room for complacency. If we are to deliver on our remaining strategic objectives and sustain our reputation as one of the world's leading conservatoires, we will be increasingly dependent on maintaining current levels of tuition fee income (including our essential Institution-Specific Funding) and buoyant investment, knowledge exchange and development agendas.

Nicholas Prettejohn

Professor Linda Merrick

Operating and Financial Review

Introduction

The Royal Northern College of Music is a world-leading conservatoire training talented musicians from all over the world for diverse and fulfilled careers in the music industry and related fields.

From RNCM Junior School through to undergraduate and postgraduate study, it is committed to delivering the highest quality learning, teaching, performance and research in a rich and stimulating environment. Based in one location on Oxford Road and with a Hall of Residence onsite, the RNCM prides itself on providing a welcoming and supportive environment for all students.

The strategic vision for 2020 is that RNCM will be a world-leading conservatoire: a centre for artistic innovation and creativity which inspires and empowers its students to excel, to reach out and transform the lives of others and to shape the music industry of the future.

Excellence, value and unrivalled opportunities

Each year the RNCM provides exceptional opportunities for all students to develop and enhance the skills needed to meet the demands of an ever changing music industry. This often means a combination of performing, composing, arranging, teaching, outreach, arts administration, and artist development which teaches students how to market and promote themselves, develop and deliver independent projects and manage their finances. All RNCM students undertake an industry placement; this can be anything from orchestral performance to marketing and fundraising, anywhere in the world, including Europe, China and the USA. Students benefit from our close links to the city's other universities and professional organisations, all of which add further value to their overall experience and academic provision.

The RNCM is proud to offer students a number of opportunities to tour overseas during their studies. Each year a group of students travel to Montepulciano in Italy to take part in the Cantiere Internazionale d'Arte, performing orchestral, chamber and vocal concerts with professional soloists, ensembles and conductors. This year the RNCM Big Band participated in the Malta International Festival, the Percussion Ensemble embarked on a tour of China, and Popular Music students have appeared with peers

in Amsterdam, Rotterdam and Valencia. As part of the 2017/18 French Connections series, students completed a significant project with the Paris Conservatoire commemorating the end of the First World War, which saw performances in Manchester, London and Paris. Most of the costs of overseas travel are covered by the College, with generous support from patrons, meaning that students can benefit from worldwide performance and professional experiences without additional financial burden. French Connections also delivered a significant piece of research investigating the relationship between music and war which resulted in a significant online resource and virtual exhibition.

The RNCM is able to provide access to a significant range of world-class musical instruments for its students. Loan instruments are made available for up to the duration of a studentship and in some cases through to the beginning of a professional career. The College also provides £1.2 million in scholarships and bursaries each year to assist high performing students and those in need of additional financial support. It also ensures funding for the RNCM Students' Union, enabling it to represent and enhance the needs of students each year.

Key Facts	2017 - 18	2016 - 17
Student employability*	n/a	98.0%
Student retention	98.1%	98.1%
Total number of students**	878	882
Total number of staff	230	231
Total income	£23m	£22m

*Student employability data not available at time of publication

** 2018 HESA return



Innovative teaching and world-leading research

In addition to achieving Gold standard in the TEF, the RNCM is currently the UK's leading music college for research following the 2014 Research Excellence Framework, and is proud that 98% of 2017 graduates were in employment or further study within six months of leaving the institution. These impressive figures are in addition to the College's National Student Survey results in which the RNCM achieved 87% for overall student satisfaction, exceeding the sector-wide average of 83%.

The College has also been awarded a prestigious Global Teaching Excellence Award (2018) and two Times Higher Education Awards: Excellence and Innovation in the Arts and Outstanding International Student Strategy.

Research is a key feature of the academic landscape at the RNCM. All teaching staff are encouraged to undertake academic research and many projects are manifested in performance such as the recent PRISM event (Centre for Practice & Research in Science & Music) 'What Does Maths Sound Like' directed by composer Professor Emily Howard (Professor of Composition, RNCM) and co-directed by mathematician Marcus du Sautoy

(Professor of Mathematics, University of Oxford); the event asked audience members to respond to the music they were listening to in order to investigate the relationship between music and mathematical patterns. This year the College also launched a new centre devoted to performance research, HARP (Hub for Artistic Research in Performance), with an international conference, directed by Dr David Horne. Other highlights were the Paris-Manchester collaboration with the Paris Conservatoire, which was based on RNCM research on music during the Great War in both cities. The London concert was broadcast on Radio 3 and the project is a finalist for the Manchester Culture Awards 2018, category: Best Event. The College also hosted the world's largest research and practice event to commemorate the centenary of Claude Debussy, in collaboration with the University of Glasgow. The event, organised by Director of Research, Professor Barbara Kelly and David Code (Glasgow), included the most prominent experts, emerging scholars, and performances Debussy's music and new compositions inspired by the composer. Radio 3 broadcast a Music Matters programme covering the event.



Public benefit and charitable status

The RNCM is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Within the provisions of the Charities Act 1993, amended in 2011, the College is an exempt charity. The College's objectives, powers and framework are set out in the Articles of Government. Its public benefit reaches into communities through the availability of free concerts, RNCM Engage, which brings music to new audiences, the accessibility of a world-class instrument collection and through enabling other organisations to hire the facilities in order to give performances and stage events.

Broadening access and participation

The RNCM is committed to the development of the highest level of artistic practice and, as such, has one major criterion for the entry to its programmes, namely, an appropriate level of musical talent and potential, as assessed at audition. Such standards can only be achieved through access to high-quality musical training and education from a very young age, many years before contemplating study at a conservatoire.

The College recognises the great benefit and value of a diverse student body in all respects and continues to seek to tackle these barriers through its extensive community and schools work, bursary support, offering all credible candidates an audition to its programmes, its fair admissions process and use of contextualized data, its creation of pathways to HE, its broad collaborative work and its work in pre-tertiary talent development.

Over the past year, the number Black, Asian and Minority Ethnic students within the student body has grown to 17.1% (15.0% in 2016/17), and the number of females now stands at 50.8% (48.3% in 2016/17). The number of students with disabilities is 13.8% (13.4% in 2016/17).

RNCM Engage, the College's learning and participation programme, provides opportunities for engagement with music for people of all ages and musical tastes, bringing together students, professional artists, and community

and business leaders to exchange and develop ideas, and reach out to new and increasingly diverse audiences. Complementing this, RNCM Junior Projects and Summer Schools further enhance the widening participation and access agenda by offering high-quality tuition and support to young musicians, either at minimal cost or free of charge. Each year the RNCM invests over half a million pounds in widening participation and access.

Over 450 concerts and events take place at the RNCM each year and approximately 80,000 tickets are sold. Our extensive and diverse artistic programme provides students with numerous public performance opportunities, whilst offering them the chance to experience live music-making of the highest quality on-site. The breadth of the performance offer for students and the public is exceptional, and the diversity of the programme ensures that the College's venues and public facilities are made available to a wide public who are entertained, educated and inspired by the range of genres that the RNCM presents.

Additional concerts and events are delivered on a wholly commercial basis by artists and external organisations that hire the College's excellent facilities. This is fundamental as an additional source of revenue to enhance the student experience.

Inspiring partnerships

Professional partnerships are central to the College's Strategic Plan and the delivery of a stimulating and innovative real-world experience for the students which enhances their employability. Key partnerships in the region include The University of Manchester, Manchester Metropolitan University, Manchester Camerata, the Hallé, BBC Philharmonic and Royal Liverpool Philharmonic Orchestras, Opera North, School for Sound Recording, Northern Ballet, Central Manchester University Hospitals Trust, Chetham's School of Music and the Manchester and Greater Manchester Music Education Hubs. In addition, the College has initiated a four-year, £2 million project, RNCM Ensemble+, a collaborative digital network formed between the RNCM, six university music departments and the BBC. The project is supported by the HEFCE Catalyst Fund.

Beyond Greater Manchester and the North West, the RNCM's many partnerships with public and private sector music education organisations, such as the Associated Board of the Royal Schools of Music (ABRSM), the world's leading music examination board, Artis (a dynamic training organisation developing much sought

after artist-practitioners to work with primary school children), Brighter Sound (a community popular music provider), Nordoff-Robbins (one of the world's leading music therapy organisations) and the Children's University offer opportunities for widening participation and access initiatives on a regional and national scale for both undergraduate and postgraduate students.

Further still, the College has established exciting institutional partnerships with leading conservatoires worldwide including recent additions the Peking University Academy of Opera, Zhejiang Conservatory of Music, Thornton School of Music at the University of Southern California and the Western Australian Academy of Performing Arts based at Edith Cowan University, Perth, Australia. It also leads an international benchmarking group comprising the Principals of world-leading conservatories selected from across the globe. These relationships facilitate the sharing of best practice, project-based work and facilitate targeted staff and student mobility.

Financial Performance in 2017/18

Financial Strategy

The Financial Strategy enables the achievement of the Strategic Plan, RNCM 2020, in support of the long-term sustainability of the College, by developing and maintaining the capacity to achieve current objectives, arranging resources to meet investment needs, evaluating strategic options and risks, providing progress reviews and robust financial controls in an enterprising and creative environment.

Financial Review

The financial performance of the College continues to deliver resilience in the face of risks and uncertainties faced in the sector and outlined later in this section. The 2017/18 results, whilst reporting a reduced operating surplus reflect a well-diversified and growing income stream, a consolidated surplus and positive growth in the cash position.

The College's Key Financial Performance Indicators

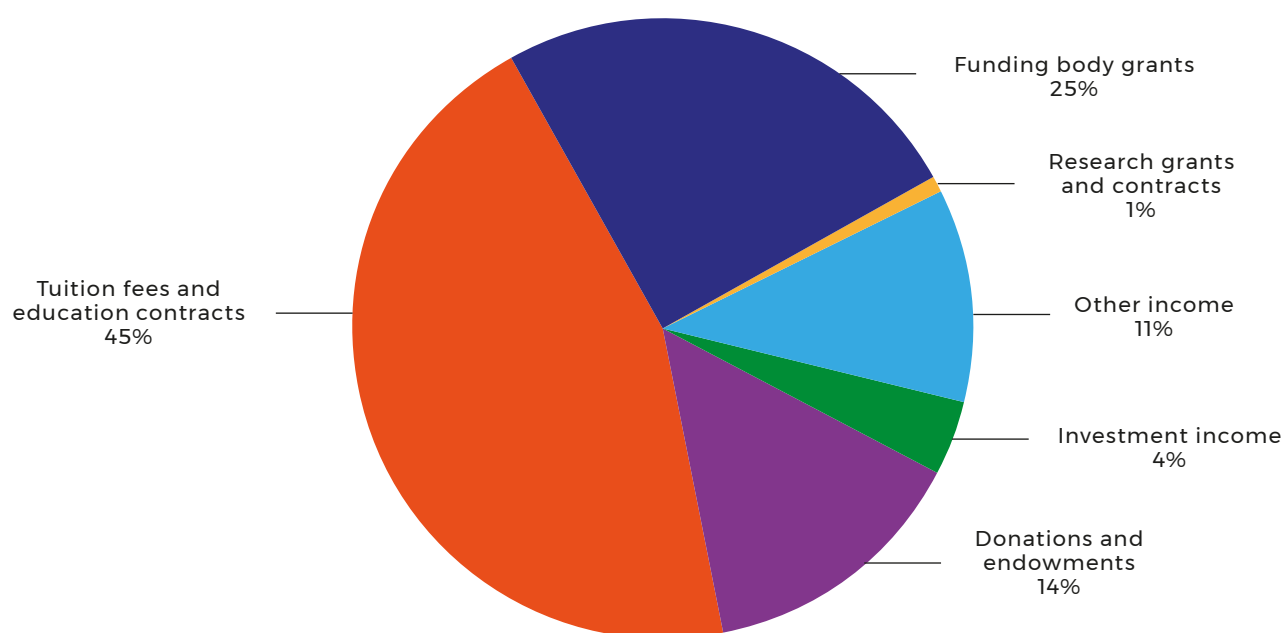
Financial Key Performance Indicators	2017 – 18	2016 – 17
Net Liquidity days	134	122
Staff Cost *	51.6%	51.8%
Endowment Assets	£22.1m	£21.3m
Net Pension Liability	£(5.5)m	£(7.4)m

*As a % of Income before the non-cash effects of FRS 102 on pension costs

The main elements of the financial results are shown in the table below. For 2017/18 Income increased by 5% to £23.0m, however higher operating costs as a result of increases in pay and pensions as well as the effect of the FRS 102 adjustments to staff costs resulted in a reduction in operating surplus to £.7m.

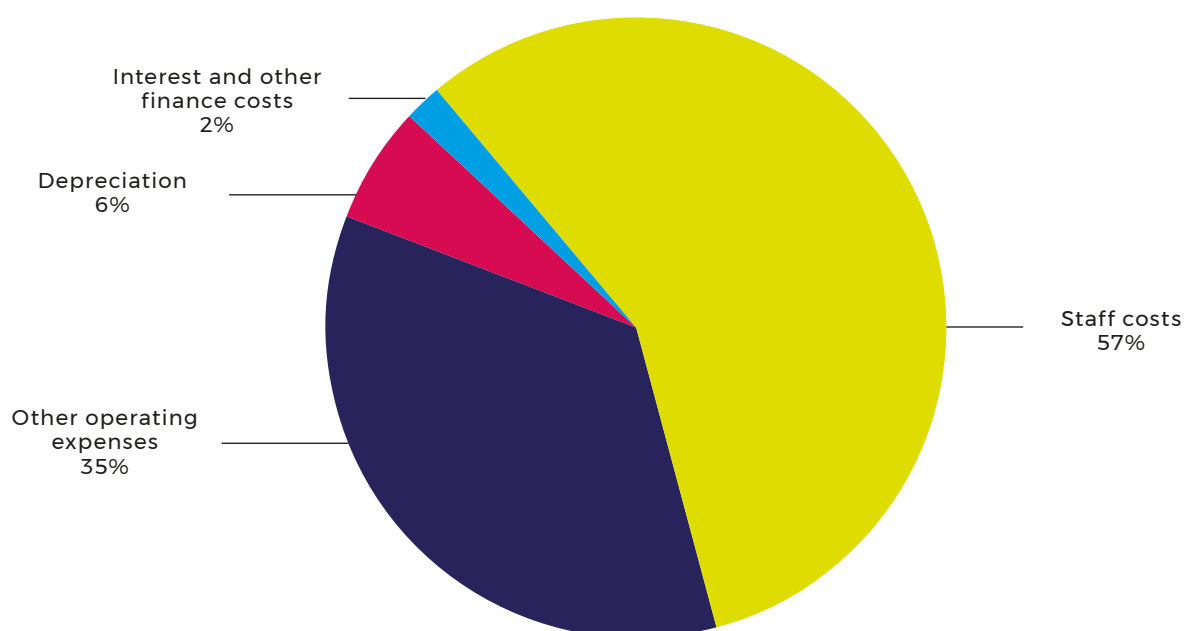
Income and Expenditure £M	2017 – 18	2016 – 17
Income	23.0	21.9
Expenditure	22.3	20.1
Operating Surplus	0.7	1.8
Share of Associate's Surplus	0.4	1.2

Income 2017/18



The RNCM continued its managed growth strategy for both home and international students, increasing tuition fee income by £0.3m. Funding body grants increased due to a successful Catalyst bid supporting the RNCM Ensemble + project and Higher Education Innovation Funding.

Expenditure 2017/18



Expenditure increased during the year due to increased staff costs, £1m, reflecting a pay award and a non-cash increase in the financial effects of FRS 102 on pension costs. Other operating expenses increased by £1.1m mainly due to increases in research funded studentships, increased investment in pianos and increases in scholarship and bursary support. Details of the charitable expenditure of the Endowment and Awards funds are reported in their respective financial Statements to 31 July 2018.

Share of Associate Surplus

The College consolidates its share of the surplus on continuing operations of its associate company, the ABRSM. In addition, the College receives a donation from ABRSM, (£1.7m, 2017/18, £1.6m, 2016/17).

Balance Sheet

The College ended the year with assets of £50.3m, an increase of £5.6m compared to the previous year. Endowment assets increased in the year to £22.1m due to capital gains, partially offset by additional capital growth being released from the Awards Fund through adopting total return basis and the utilisation of a restricted fund within the Endowment Fund (The Jellis Bequest) to purchase newly manufactured high-quality stringed instruments, £0.5m.

Net current assets increased by £2.0m to £5.2m, due to an increase of £1.2m in the cash balance to £7.3m, £7.0m of which is free reserves, and a reduction in the share of ABRSM liability, £0.8m.

The Pension Liability decreased in the year by £1.8m due to favourable changes in year-end actuarial assumptions over the long term.

Risks

The College has embedded a system of internal control, including strategic, financial, operational and risk management designed to protect the RNCM's assets and reputation. Risk is viewed in an integrated way alongside Strategy and Performance Monitoring, forms a key element of the decision-making process at the College and is regularly discussed and updated with agreed actions at the College's Executive and Audit Committees.

Principal Risks

Reputation

The RNCM has a reputation for excellence in teaching and learning. This was confirmed when the College was awarded Gold in the Teaching Excellence Framework (TEF). The RNCM continues to discharge carefully its responsibilities in relation to attracting high achieving students, high quality staff and in safeguarding its students and staff.

Funding and fees

Until the outcome of the Government's post-18 education review is known there remains uncertainty around tuition fee levels and the Institution-specific funding. However, applications to the College for the 2019/20 academic year remain strong and show no sign of decline when compared with previous years and the RNCM remains in a positive position as it continues to attract exceptional students from all over the world.

Student Recruitment

Although the College has shown success in recruiting to the required numbers of Home, EU and International students there remain risks in the longevity of the success due to uncertainties in the international recruitment market as a result of exchange rate fluctuations, access to visas and Brexit. In the Home market there are risks due to the reduction in music provision within the curriculum of pre tertiary education.

Brexit

The decision to leave the European Union brings uncertainty to the Higher Education sector throughout the UK. Currently, 9% of the RNCM's student body comes from mainland Europe, and whilst the government has made assurances that for the 2019/20 academic year there will be no changes for EU students, Brexit continues to present an ongoing challenge for the College. The uncertainty around the future may impact upon funding, immigration and student recruitment. However, as we await the result of the current negotiations and the next steps to be taken by the government, the extensive support mechanisms in place for RNCM students continue.

Staff

The success of the College depends on our ability to resource and retain exceptional staff.

Pensions

The College offers three defined benefit pension schemes, Universities' Superannuation Scheme (USS), Greater Manchester Pension Fund and the Teachers' Pension Scheme. Employer contribution rates into these schemes are defined by the number of current and past participants and by actuarial assessments of the future liabilities of the schemes and these rates can be significant. Pension costs are currently 17% of the total reported staff costs and employer contribution rates vary from 16.48% to 18.9%. The USS scheme contains a section 75 clause which would result in a one-time payment if there are no current participants remaining in the scheme.

Financial – Market Value and Interest Rate

Financial Instruments

The College has a significant Endowment of £22m reported on its balance sheet, which is subject to valuation changes as markets fluctuate. The portfolio is managed by Waverton within a risk and return mandate specified by the Governors. Waverton report half-yearly to the Investment Sub-Committee, drawn from members of the Finance Committee. Details of the funds' performance can be seen in their respective financial statements, which are combined in the RNCM's consolidated financial statements for the year. The College also has two loan facilities, a fixed term bank loan, £0.4m, subject to base rate interest movements, and a fixed term, fixed rate bank loan of £2.8m.

Price and interest rate risk

Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. Listed investments are exposed to price risk but this exposure is within the College's risk appetite. Bank deposits are subject to variable interest rates and the RNCM is exposed to financial risk on these assets. The College does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the College. The credit risk on liquid funds and financial instruments is limited because the counterparties are banks with high credit ratings which have been assigned by international credit rating agencies. Trade receivables consist of a large number of customers, spread across diverse sectors, populations and geographical areas.

Liquidity risk management

The College manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by monitoring forecast and actual cash flows, and by matching the maturity profiles of certain financial assets and liabilities.

Other Income

The RNCM receives donations which have increased over time and contribute to the financial sustainability of the College.

General Economic Outlook

Inflation is increasing, putting pressure on future performance. The College will continue to manage its costs to minimise any adverse impacts. A significant part of the RNCM cost profile is its staff cost. For 2017-2018 the pay award was 1.7% and for 2018-19 a 2% award has been provided while negotiations continue at national level.

Visa Regulations

Visa regulations make international recruitment challenging and can contribute to a perceived reduction of the attractiveness of the UK as a place to study. The College has again retained its Tier 4 Sponsor status and achieved 100% in its Confirmation of Acceptance for Studies (2016-17, 98.55%).

RNCM Opera, *L'elisir d'amore*



Northern Voices, RNCM Popular Music ensemble



Corporate Governance Statement

The Royal Northern College of Music (RNCM) is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988, and operating within the provisions of an Instrument of Government made by the Privy Council in May 1993 under the terms of the Further and Higher Education Act 1992. As a recipient of substantial public funding and by virtue of its educational objectives, it is an exempt charity, with the Office for Students (OfS) acting as its Principal Regulator. The Members of the Corporation constitute the Board of Governors ('the Board') of the RNCM, the activities of which the Corporation has been established to conduct, and whose objects, powers and framework of governance are set out in the Articles of Government, the current version of which was approved by the Board in July 2011, and by the Privy Council in October 2011. The Board is also, in relation to the charitable activities of the RNCM, its Trustee Board. Members of the Board are therefore the Trustees of the RNCM, and of its two Trust Funds, each of which is a separate charity registered with the Charity Commission.

The RNCM, like other public bodies, has a duty to conduct its affairs in a responsible and transparent way, and to take into account in so doing the requirements of the OfS and the Governance Code of Practice published by the Committee of University Chairs (CUC, (2014)). The RNCM's corporate governance arrangements have been established in such a way as to meet these responsibilities and continue to comply with relevant provisions in the Committee on Standards in Public Life 14th report (2013) and the UK Corporate Governance Code (2016). In addition, the RNCM corporately, through its arrangements for governance, is committed in a demonstrable way to the principles of academic freedom and equality of opportunity which are embodied in its Articles of Government.

The RNCM's corporate governance framework

The Articles of Government provide for and empower the Board of Governors, the Academic Board and the Principal of the RNCM to exercise the authority assigned therein to their respective roles, which are summarised below.

The Board and its committees

The Board, which normally meets five times a year, is constituted in accordance with the RNCM's Instrument of Government and has a clear majority of independent members. It carries the ultimate responsibility for the College's overall strategic direction and for the management of its finances, property and affairs generally, including the employment arrangements for all staff. It is also a specific role of the Board to satisfy itself that work being undertaken on its behalf, whether by committee or by officers, is consistent with corporate objectives and is within the bounds of accepted good practice as articulated in the College's Ethics Framework, approved by the Board in February 2016.

There is a distinct separation between the roles of the non-executive Chair and Deputy Chair and the RNCM's chief executive officer, the Principal, who is a member of the Board. Academic staff, Professional Services staff and the student body are also represented. The Board approves the College's strategic plan and provides overall financial and organisational oversight.

The Board has appointed a number of committees and has also established processes which ensure that it is kept regularly advised on the strategic and policy elements of safeguarding, health and safety, academic governance and equality and diversity issues, so that it is able to act effectively and in an informed way with respect to these matters as and when it may be required.

The Finance Committee comprises a Chair, who is an independent member of the Board, four other independent members of the Board, including the Chair of the Board

and the Principal, and is established to oversee all matters relating to the finances and business concerns of the RNCM. Specifically, the Committee inter alia advises the Board on financial sustainability strategies, recommends to the Board the annual revenue and capital budgets for approval, and, on the Board's behalf, monitors financial performance in relation to approved budgets during and at end of year. In addition, the Board has delegated to the Committee the authority to act on its behalf in respect of matters relating to the RNCM Trust Funds.

The Audit Committee comprises a Chair, who is an independent member of the Board, two other independent members of the Board and up to two co-opted external members with relevant experience. Senior executive officers are invited to attend meetings as necessary, but the Committee also has the opportunity to meet with the internal and external auditors without such officers being present. It receives reports from the internal and external auditors of the College, and their opinion on the adequacy of the College's systems of internal and financial control, and considers recommendations for the improvement of those systems. Thus, the Committee has a particularly important function in providing opinions and giving assurances to the Board relating to the effectiveness of the arrangements for risk management, control and governance, including the management and quality assurance arrangements for data submitted to the Higher Education Statistics Agency (HESA), OfS or other funding bodies and the new assurance statement relating to the Board's oversight of academic governance arrangements. Whenever appropriate, it will provide explicit confirmation to the Board that necessary actions have been, or are being, taken to remedy any significant failings or weaknesses identified from the review of the effectiveness of internal and financial controls. It also recommends to the Board the annual financial statements for approval, having confirmed compliance with relevant statutory and regulatory provisions.

The Remuneration and Strategic Staffing Committee comprises a Chair, who is an independent member of the Board, the Chair of the Board, and two other independent members of the Board, including the Deputy Chair. The composition of the Committee reflects the guidance published by the Committee of University Chairs (2015) and the principles set out in the Higher Education Senior Staff Remuneration Code (2018). It meets to determine the remuneration arrangements for the Principal and those of such other senior staff of the RNCM as the Board has agreed should come within its remit, and to consider such strategic staffing issues as may be referred to it by the Board, or by the Executive Committee of the RNCM.

The Committee and the RNCM act in accordance with the principles laid down in the Remuneration Code. In making decisions about the Principal's and other senior post holders' (the Clerk to the Board, Director of Finance and Strategic Planning, Vice-Principal (Operations), Vice-Principal (Academic) and Director of Performance) remuneration, the Committee applies a strong, evidence-based approach to its discussions, taking into consideration retaining and rewarding the best staff possible in order to deliver the best experience and outcomes for the students and society, while taking into account the College's financial position and the effective use of resources. In agreeing the salary for the Principal, the Committee gives due regard to the size and complexity of the role and benchmark data, including data from Universities and Colleges Employer Association's Senior Staff Remuneration Survey and the remuneration of the Principals of the UK conservatoires. The national pay award and pay increases awarded to other staff in the College are taken into account, together with the current value for the College of the pay multiple of the Principal earnings against the median of all staff.

The Nominations Committee comprises the Chair of the Board, two other independent members of the Board, an academic member of the Board, and the Principal. It advises the Board in relation to the appointment of members of the Board and its Committees, unless authority to make an appointment rests elsewhere, taking into account and reviewing as appropriate the full range of needs and requirements of the Board in maintaining its overall effectiveness as a governing body. On behalf of the Board, it oversees a process of review of the effectiveness of individual Board members (where the Board has been the appointing authority) and where necessary makes appropriate recommendations to the Board.

The Honorands Committee is constituted jointly with the Academic Board and makes recommendations to both bodies in respect of distinguished individuals to be selected for the conferment of honorary awards of the RNCM. The Board appoints from its independent membership the Chair of the Committee and two other members.

The Board maintains a **Register of Interests** of its members, which may be consulted by arrangement with the Clerk to the Board. Members of the Board receive a reminder in the papers for each meeting of the need to declare any particular interests they may have in relation to the business scheduled for consideration and are required to sign a **Fit and Proper** declaration in accordance with public interest governance principles.

The Board has in place arrangements to conduct, on a periodic basis, comprehensive reviews of the effectiveness of its own working arrangements. This last took place in June 2015, facilitated by an external consultant appointed by the Board and concluded that the RNCM has a high functioning and well-led Board.

The Academic Board meets three times a year, is constituted in accordance with the Articles of Government and comprises members of the academic staff, members of the student body and up to two co-opted external academic members. It is chaired by the Principal and is responsible, subject to the oversight of the Board, for establishing the academic governance arrangements for the RNCM, which include policies relating to learning, teaching, scholarship and research. These deal with such matters as the academic criteria for the admission of students, approval of the content of the curriculum, approval of policies and procedures for the examination and assessment of students, the appointment and review of internal and external examiners and assessors, and the monitoring of the quality of academic programmes. The Academic Board is also the final authority for the determination of student progression and for the granting of academic awards in the name of the RNCM. In addition, it initiates and/or considers proposals for the development of the academic profile and activity of the College, and advises the Principal and the Board thereon.

The Principal and the senior managerial arrangements

The Principal is responsible to the Board for the leadership, organisation, direction and management of the RNCM. Although the ultimate responsibility for what is done in this regard rests with the Board, the Principal exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and the shaping of institutional ethos. The Principal is supported in this by the Principal's Advisory Group, which meets regularly during term time to discuss the strategic and management issues of the College, including those related to financial, physical, and human resources, and the Executive Committee, which considers and approves, and monitors and evaluates, a range of managerial and operational activities across the College.

Internal control

The RNCM receives substantial public funding to support its activities, and is regulated in accordance with the terms of the Office for Students' Terms and Conditions of funding for higher education institutions 2018.15 and the Regulatory Advice 9: Accounts Direction.

The Board is committed to exhibiting best practice in all aspects of corporate governance, and pays particular attention to the advice and guidance offered by the British Universities Finance Directors' Group (BUFDG), and to that set out in The UK Corporate Governance Code issued by the Financial Reporting Council in April 2016. In the opinion of the Board, the RNCM complies with all the provisions of the aforesaid Code in so far as they apply to the Higher Education Sector, and it has so complied throughout the year ended 31 July 2018. The Board acknowledges its

responsibility for the RNCM's overall system of internal control and for reviewing its effectiveness. The system managed by the Director of Finance and Strategic Planning, which is risk-based, covers all aspects of internal control, including governance, management, quality, reputation, compliance and financial. Operationally, through the Risk Register (see below), it produces a balanced portfolio of risk exposure, closely aligned to the strategic objectives of the RNCM and integrated with its normal business processes. As such, however, it is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only, therefore, provide reasonable (but not absolute) assurance against material misstatement or loss.

The Audit Committee reviews the effectiveness of the system of internal control and reports its opinion to the Board. This review is informed by the work of the Internal Auditors, by the contributions of the College managers with responsibility for the development and maintenance of the financial control framework, and by comments and observations made by the External Auditors in their management letter and other reports. The system of internal control as described above covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the audited financial statements, on 26 November 2018.

Financial control

The Board is responsible for ensuring the economical, efficient and effective management of the RNCM resources and expenditure, and for safeguarding its assets, including specific responsibility for the oversight of systems that prevent and detect fraud. The system of internal financial control provides for comprehensive financial planning processes, assessments of annual income, expenditure, capital and cash flow budgets in conjunction with the monthly review of financial results, the reporting of variances and the projection of outturns. The RNCM sets out matters concerning the broad policies relating to financial control in its Financial Regulations.

These Regulations are approved by the Board and apply to the RNCM and all its related undertakings, and include all funds passing through its accounts. They encompass the processes to investigate fraud and other financial irregularities, budgeting and forecasting, the treatment of year-end balances and capital expenditure programmes and general issues with regard to the Accounts and Accounting returns of the RNCM.

The RNCM's financial statements are prepared on a going concern basis as the Board is satisfied after making appropriate enquiries that, at the time of their approval, the RNCM has the resources to continue in operation for the foreseeable future.

Risk management

The RNCM's arrangements for risk assessment and management are embedded in an approach which integrates strategic planning, performance monitoring and risk management. The Risk Register is presented to the Board of Governors through the Audit Committee. In addition, the Finance Committee reviews the financial performance elements of this information separately.

The combination of the Risk Register and Key Measures of Success reporting sets out the strategic targets and risks facing the institution in terms of progress towards the targets, and the risk level of the particular risk area. The elements are viewed in terms of Risk, Mitigation and Latest updates. Areas with a risk profile of High are elevated for particular attention. These arrangements have been reviewed by the Internal Auditor during the period with the conclusion that they are fit for purpose.

Chair of the Board of Governors



RNCM Opera, *Theodora*, 2017

Statement of Board of Governors Responsibilities in Respect of the Annual Report and the Financial Statements

The Board of Governors are responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable law and regulations.

They are required to prepare group and parent College financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Board of Governors are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent College and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent College financial statements, the Board of Governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

The Board of Governors is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the College's resources and expenditure.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the College's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Board of Governors of the Royal Northern College of Music

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Royal Northern College of Music ("the College") for the year ended 31 July 2018 which comprise the Group and College Statement of Comprehensive Income and Expenditure, Group and College Balance Sheets, Group and College Statement of Changes in Reserves, Group Cash Flow Statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2018, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Board of Governors is responsible for the other information, which comprises the Strategic Review, the Financial Review, and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Board of Governors responsibilities

As explained more fully in their statement set out on page 18, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Report on Other Legal and Regulatory Requirements

We are required to report on the following matters under the Office for Students and Research England Audit Codes 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 Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the College's articles of government;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

The Purpose of our Audit Work and to whom we owe our responsibilities

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the College's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Amanda Latham 29/11/18

Amanda Latham

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square

Manchester

M2 3AE

Statement of Principal Accounting Policies

Year ended 31 July 2018

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The College is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments) and with the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102). The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

1. Basis of Consolidation

The consolidated financial statements include the College and its Trust funds; Awards Fund and Endowment Fund because the funds are effectively controlled by the College, and the College's share in the Associated Board of the Royal Schools of Music. Intra-group transactions are eliminated fully on consolidation. The activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2018.

2. Accounting Estimates and Judgements

In preparing these financial statements the College have made the following judgements:

Accounting for retirement benefits

A number of the College's employees are members of the Greater Manchester Local Government Pension Scheme (LGPS). It is possible to identify the College's share of the assets and liabilities within this scheme, therefore the net defined benefit pension liability is recognised within these accounts. Details of the College's share of the net deficit within the LGPS is shown in note 23. The calculation of this net liability is based upon an estimation by the scheme's actuary of the future pension costs and returns on scheme assets, which must then be discounted to the present value using an appropriate discount rate. The various actuarial assumptions adopted by the scheme actuary have a material effect on the value of the net liability recognised in the College's financial statements, insofar as this value is highly sensitive to small changes in the discount rate, inflation and other assumptions. The assumptions adopted therefore represent an area of significant estimation uncertainty within the College's accounts. The Board of Governors is satisfied that the assumptions adopted by the scheme actuary are reasonable.

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme, such as that provided by USS. In the case of USS, it is not possible to identify the assets and liabilities associated with the College's members due to the mutual nature of the scheme, and this scheme is therefore accounted for as a defined contribution retirement scheme.

The accounting for a multi-employer scheme, where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit,

results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The Board of Governors is satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements. Details of this liability are disclosed in note 23.

Annual leave accrual

Under FRS102 a liability for outstanding leave entitlement at the year end has been introduced. Professional services staff keep leave cards provided by Human Resources, these are checked at year end and the liability calculated from the information gathered. Academic staff do not have leave cards and so a reasonable estimate based on their entitlement and the academic calendar has been used to calculate the liability.

Bad Debt Provision

Bad debt provision is calculated based upon an estimation of the total aged debtors at the year end (5%). A thorough analysis and review of the aged debtors is also performed to identify any individual doubtful debts. The total of both is used as the provision.

3. Income Recognition

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

Fee income is stated net of fee waivers and discounts and is credited to the CSCI over the period in which students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the CSCI on a receivable basis.

4. Realised and Unrealised Gains and Losses

Realised and unrealised gains or losses on investments or sale of fixed assets are recognised in the CSCI.

5. Grant Funding

Government capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Government revenue grants including teaching and research grants are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

6. Accounting for Charitable Donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be retained for the benefit of the College as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College.
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the College can convert the donated sum into income.
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

7. Pension schemes

The College participates in three pension schemes, the Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme (USS) and the Greater Manchester Pension Fund (GMPF). All are independently administered defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the costs of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations,

using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions are recognised as they are paid each year.

The USS is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying 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 the College 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 assets of the GMPF are measured using closing market values. GMPF liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

8. Leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the leases.

9. Land and Buildings

Upon transition to FRS102 the College has carried forward the depreciated cost arising from historic valuations. Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful economic lives of 50 years.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to the CSCI once all relevant performance related conditions have been met.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. Depreciation is charged once they are first brought into use.

Refurbishment projects on existing fixed assets are depreciated over their useful life when they meet the following criteria:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

10. Investments

Listed investments held as fixed assets or endowment assets are stated at market value.

Current asset investments, which may include listed investments, are stated at the lower of cost and net realisable value.

11. Equipment

Equipment costing more than £1000 per individual item or group of related items is capitalised.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:-

Plant and machinery	25 Years
Fixtures and fittings	10 Years
Computer and recording equipment	3 - 5 Years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grants are credited to the CSCI once all relevant performance related conditions have been met.

12. Musical instruments

Musical instruments, except for string are depreciated at the following rates:

Pianos and organs	10 Years
Woodwind and brass instruments	10 Years
Percussion, keyboard and electronic instruments	10 Years

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets.

Depreciation is not provided on string instruments since the estimated remaining useful economic life of the tangible fixed assets exceeds 50 years and any depreciation charge would be deemed immaterial. The carrying value of these assets are subject to an annual impairment review.

The Royal Northern College of Music Collection of Historical Musical Instruments is identified as a heritage asset. The collection is reported in the Balance Sheet at cost.

13. Stocks

Catering, bar and promotional items are valued at the lower of cost and net realisable value.

14. Maintenance of Premises

The cost of routine corrective maintenance is charged to the CSCI account as incurred.

15. Taxation Status

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

16. Royal Northern College of Music Students' Union

The financial statements do not consolidate those of the Royal Northern College of Music Students' Union as the College has no financial interest and no control or significant influence over policy decisions. Nevertheless, the Board of Governors requires the Students' Union to submit its audited Report and Accounts for scrutiny annually and satisfies itself that a sound budget is prepared for the ensuing year, before the grant to the Union, which is disbursed proportionately on a termly basis, is released.

17. Deferred Income

The premium received by the College on the grant of the long lease has been deferred and is being released over a 30 year period being the period of the lease up to the first break point.

18. Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

19. Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event. It is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

20. Contingent Liabilities and contingent assets

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. 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 College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

21. Accounting for Associate

The College accounts for the investment in the associate using the equity method.

22. Financial Instruments

The College has chosen to apply the provisions of sections 11 and 12 of FRS 102 in full. Financial assets and financial liabilities are recognised in the College's balance sheet when the College becomes a party to the contractual provisions of the instrument. A financial asset and a financial liability are offset only when there is a legally

enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

All of the College's financial assets and liabilities all meet the criteria for basic financial instruments prescribed within FRS 102. Basic financial instruments are measured as follows:

Investments

Investments within the scope of Section 11 of FRS 102 (therefore excluding investments in subsidiaries, associates and joint ventures) are recognised initially at fair value which is normally the transaction price. Subsequently, they are measured at fair value if the investment is publicly traded or their fair value can otherwise be measured reliably with the changes in fair value recognised in the statement of comprehensive income. All other investments are measured at cost less impairment.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Loans

Loans which are basic financial instruments are recorded at the transaction price, net of transaction costs.



Consolidated Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2018

		Year ended 31 July 2018		Year ended 31 July 2017	
	Notes	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Income					
Tuition fees and education contracts	1	10,412	10,412	10,117	10,117
Funding body grants	2	5,811	5,800	4,940	4,929
Research grants and contracts	3	209	209	101	101
Other income	4	2,500	3,777	2,384	2,888
Investment income	5	905	2	818	2
Donations and endowments	6	3,214	-	3,528	-
Total income		23,051	20,200	21,888	18,037
Expenditure					
Staff costs	7	12,664	12,664	11,659	11,659
Other operating expenses	9	7,910	5,988	6,769	5,241
Depreciation	10	1,400	1,400	1,243	1,243
Interest and other finance costs	8	343	343	388	388
Total expenditure		22,317	20,395	20,059	18,531
Surplus/(deficit) before other gains losses and share of operating surplus of associate.		734	(195)	1,829	(494)
(Loss)/Gain on disposal of fixed assets		(14)	(14)	20	20
Gain on investments	16/18	1,281	-	1,819	-
Share of operating surplus in associate	11	443	-	1,222	-
Surplus / (Deficit) for the year		2,444	(209)	4,890	(474)
Actuarial gain/(loss) in respect of pension schemes	23	2,787	2,787	3,358	3,358
Share of actuarial gain/(loss) pension scheme of associate	11	80	-	(2,060)	-
Gain on forward contract revaluation of associate	11	254	-	-	-
Total comprehensive income for the year		5,565	2,578	6,188	2,884
Represented by:					
Endowment comprehensive income for the year		870	-	1,924	-
Restricted comprehensive income for the year		(48)	-	276	-
Unrestricted comprehensive income for the year		4,743	2,578	3,988	2,884
		5,565	2,578	6,188	2,884

All items of income and expenditure relate to continuing activities

Consolidated and College Statement of Changes in Reserves

Year Ended 31 July 2018

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2016	19,344	57	14,351	4,794	38,546
Surplus/(deficit) from the income and expenditure statement	1,924	276	2,690	-	4,890
Other comprehensive income	-	-	1,298	-	1,298
Transfers between revaluation and income and expenditure reserve	-	-	129	(129)	-
Total comprehensive income for the year	1,924	276	4,117	(129)	6,188
Balance at 1 August 2017	21,268	333	18,468	4,665	44,734
Surplus from the income and expenditure statement	870	(48)	1,622	-	2,444
Other comprehensive income	-	-	3,121	-	3,121
Transfers between revaluation and income and expenditure reserve	-	-	129	(129)	-
Total comprehensive income for the year	870	(48)	4,872	(129)	5,565
Balance at 31 July 2018	22,138	285	23,340	4,536	50,299


College	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2016	-	-	9,780	4,794	14,574
(Deficit) from the income and expenditure statement	-	-	(474)	-	(474)
Other comprehensive income	-	-	3,358	-	3,358
Transfers between revaluation and income and expenditure reserve	-	-	129	(129)	-
Total comprehensive income for the year	-	-	3,013	(129)	2,884
Balance at 1 August 2017	-	-	12,793	4,665	17,458
(Deficit) from the income and expenditure statement	-	-	(209)	-	(209)
Other comprehensive income	-	-	2,787	-	2,787
Transfers between revaluation and income and expenditure reserve	-	-	129	(129)	-
Total comprehensive income for the year	-	-	2,707	(129)	2,578
Balance at 31 July 2018	0	0	15,500	4,536	20,036

Balance Sheet

Year Ended 31 July 2018

		As at 31 July 2018		As at 31 July 2017	
	Notes	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Non-current assets					
Fixed assets	10	31,413	31,413	31,162	31,162
Investments	18	1,511	-	1,404	-
Endowment assets	16	22,138	-	21,268	-
		<u>55,062</u>	<u>31,413</u>	<u>53,834</u>	<u>31,162</u>
Current assets					
Stock		35	35	40	40
Trade and other receivables	12	942	898	748	698
Cash and cash equivalents	19	7,335	218	6,080	205
		<u>8,312</u>	<u>1,151</u>	<u>6,868</u>	<u>943</u>
Less: Creditors: amounts falling due within one year	13	(2,591)	(2,584)	(2,343)	(2,339)
Share of net liabilities in associate	11	(540)	-	(1,317)	-
Net current assets/(liabilities)		<u>5,181</u>	<u>(1,433)</u>	<u>3,208</u>	<u>(1,396)</u>
Total assets less current liabilities		<u>60,243</u>	<u>29,980</u>	<u>57,042</u>	<u>29,766</u>
Creditors: amounts falling due after more than one year	14	(4,404)	(4,404)	(4,920)	(4,920)
Provisions					
Pension provisions	15	(5,540)	(5,540)	(7,388)	(7,388)
Total net assets		<u>50,299</u>	<u>20,036</u>	<u>44,734</u>	<u>17,458</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	16	22,138	-	21,268	-
Income and expenditure reserve - restricted reserve	17	285	-	333	-
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		23,340	15,500	18,468	12,793
Revaluation reserve		4,536	4,536	4,665	4,665
		<u>50,299</u>	<u>20,036</u>	<u>44,734</u>	<u>17,458</u>

The financial statements were approved by the Governing Body on 26 November 2018 and were signed on its behalf on that date by:



Chair of the Board of Governors, Nick Prettejohn



Chair of the Finance Committee, David Roper



Principal, Linda Merrick

Consolidated Cash Flow Statement

Year Ended 31 July 2018

	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Cash flow from operating activities			
Surplus for the year		2,444	4,890
Adjustment for non-cash items			
Depreciation	10	1,400	1,243
(Gain) on restricted investments	16	(1,174)	(1,674)
(Gain) on unrestricted investments	18	(107)	(145)
Decrease/(Increase) in stock		5	(4)
(Increase) in debtors	12	(194)	(9)
Increase in 1yr creditors	13	250	135
(Decrease)/Increase in +1yr creditors	14	(269)	590
(Decrease) in pension provision	15	(1,848)	(2,861)
Actuarial gain in respect of pension schemes		2,867	1,298
Share of operating surplus in associate	11	(443)	(1,222)
Adjustment for investing or financing activities			
Investment income	5	(905)	(818)
Interest payable	8	343	158
Endowment income		(1,083)	(1,443)
Loss/(Profit) on the sale of fixed assets		14	(20)
Capital grant income		(727)	(123)
Net cash inflow from operating activities		573	(5)
Cash flows from investing activities			
Proceeds from sales of fixed assets		32	20
Capital grants receipts		727	123
Disposal of non-current asset investments		4,837	5,992
Movement in restricted and endowment asset cash		605	363
Investment income		905	818
Payments made to acquire fixed assets		(1,696)	(1,883)
Investment management fee		(122)	(111)
New non-current asset investments		(5,093)	(5,261)
		195	61
Cash flows from financing activities			
Interest paid		(154)	(158)
Interest element of finance lease and service concession payments		(6)	(6)
Endowment cash received		1,083	1,443
Repayments of amounts borrowed		(241)	(235)
Capital element of finance lease and service concession payments		(195)	864
		487	1,908
Increase in cash and cash equivalents in the year		1,255	1,964
Cash and cash equivalents at beginning of the year	19	6,080	4,116
Cash and cash equivalents at end of the year	19	7,335	6,080

Notes to the Accounts

Year Ended 31 July 2018

1 Tuition fees and education contracts

Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Full-time home and EU students	6,005	6,005	6,051	6,051
Full-time international students	3,426	3,426	3,126	3,126
Other fees, Junior RNCM and Young Strings	981	981	940	940
	10,412	10,412	10,117	10,117

2 Funding body grants

Recurrent grant				
Office for Students	5,094	5,083	4,817	4,806
Specific grants				
Capital grant	717	717	123	123
	5,811	5,800	4,940	4,929

3 Research grants and contracts

Research councils	107	107	101	101
Other	102	102	-	-
	209	209	101	101

4 Other income

Residences, catering and conferences	1,160	1,160	1,173	1,173
Other capital grants	10	1083	-	382
Other income	1330	1534	1,211	1,333
	2,500	3,777	2,384	2,888

5 Investment income

Investment income on endowments	16	865	-	785	-
Investment income on restricted reserves	17	-	-	-	-
Other investment income		40	2	33	2
		905	2	818	2

6 Donations and endowments

New endowments	16	1,083	-	1,443	-
Donations with restrictions	17	171	-	302	-
Unrestricted donations		1,960	-	1,783	-
		3,214	0	3,528	0

7 Staff costs

	Year Ended 31 Jul 2018		Year Ended 31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Staff Costs :	£'000	£'000	£'000	£'000
Salaries	9,676	9,676	9,296	9,296
Social security costs	833	833	786	786
Movement on USS provision	8	8	(20)	(20)
FRS102 pension charges	775	775	317	317
Pension costs	1,372	1,372	1,280	1,280
Total	12,664	12,664	11,659	11,659

Emoluments of the Principal:	£	£
Salary*	139	137
Benefits (Private medical care)	2	2
Sub total	141	139
Pension contributions	23	22
Total Emoluments	164	161

*No salary sacrifice arrangements are in place

The Principal's remuneration package

The Principal's compensation is governed by the Remuneration and Strategic Staffing Committee, a sub-committee of the Board of Governors.

The composition of the Committee reflects the guidance published by the Committee of University Chairs in March 2015 and the requirement set out in the Remuneration Code that Remuneration Committees must be independent and competent.

The Committee is chaired by a lay governor and The Principal is not a member.

The Principal attends the Committee meetings but was not present at any discussions directly relating to her remuneration during the academic year.

When considering the appropriate salary for the Principal, the Committee gave due regard to the size and complexity of the role and benchmark data, including data from Universities and Colleges Employer Association's Senior Staff Remuneration Survey and the remuneration of the Principals of the UK conservatoires. The national pay award and pay increases awarded to other staff in the College was taken into account together with the current value for the College of the pay multiple of the Principal earnings against the median of all staff and data for the last five years.

The Committee operated in accordance with best practice as recommended in the Higher Education Code of Governance, the Remuneration Code and other guidance produced by the Committee of University Chairs and the Office for Students.

The Principal's salary reflects the scale and complexity of the job, comparisons with benchmarks and her performance measured against objectives set by the Chair of the Board.

Professor Merrick's remuneration comprises three elements; her salary, benefits and pension. The College does not operate a system of performance-related pay.

Principal's Pay Ratio	17/18	16/17
Principal's basic pay ratio	3.7	3.6
Principal's total pay ratio	3.9	3.9
Remuneration of other higher paid staff, excluding employer's pension contributions [all shown before any salary sacrifice]:		
	No.	No.
£100,000 to £104,999	0	0
£105,000 to £109,999	0	0
£110,000 to £114,999	1	1
	1	1
Average staff numbers by major category :		
Academic	No.	No.
	76	78
Professional Services	154	153
	230	231
	£'000	£'000
Severance costs payable recorded within staff costs	2	45
Number of staff severance costs paid to	2	4

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College.
Staff costs includes compensation paid to key management personnel.

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Key management personnel compensation	361*	391

* A senior member of staff was on sick leave for a significant period of the financial year and costs have been excluded as they were not responsible for planning, directing activities of the College during this time.

Board Members

The College board members are the trustees for charitable law purposes. Due to the nature of the College's operations and the compositions of the Board, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of Board may have an interest, including those identified below, are conducted at arms length and in accordance with the College's Financial Regulations and usual procurement procedures.

Related Party Transactions

	Income recognised within the financial statements	Expenditure recognised within the financial statements	Balance due to the College recognised within the financial statements	Balance due from the College recognised within the financial statements
	£	£	£	£
ABRSM	1,680,855	-	-	-
Artis Performing Arts Education	165	4,440	-	-
Association of British Orchestra	-	732	-	-
Bolton Music Service	-	2,048	-	-
Case Europe	-	1,425	-	-
Chetham's School of Music	267	-	-	-
Conservatoires UK	195	7,875	61,884	-
Corridor Manchester	1,480	250	1,022	-
Creative Industries Federation	-	2,508	-	-
Halle Concerts Society	3,918	21,713	-	305
Howarth of London	624	-	-	312
Manchester Camerata	2,536	9,966	-	-
Manchester University	152,683	57,700	60,233	-
RNCM Students Union	-	35,000	-	-
Transport for Greater Manchester	-	1,132	-	-
Yorkshire Young Musicians	-	49	-	-
	1, 842, 723	144,838	123,139	617

ABRSM

The Principal and two members of the RNCM Board of Governors are both board members of ABRSM. The RNCM holds a 25% share in the Associated Board of the Royal Schools of Music (see note 11) and receives an annual donation (£1.67m 17/18, £1.56m 16/17).

Artis Performing Arts Education

Artis is a creative learning charity that helps children achieve at school by integrating the arts throughout their learning. The Principal of RNCM is a board member of Artis Performing Arts Education.

Association of British Orchestras

This is the national body representing the collective interests of professional orchestras, youth ensembles and the wider classical music industry throughout the UK. It provides advice, support, intelligence and information to the people who make British orchestras a global success. One member of the RNCM Board of Governors is a board member of the Association of British Orchestra.

Bolton Music Service

Bolton Music Service works with all sectors of the Bolton, Blackburn and Darwin community to increase access to quality music making and raise standards of music education across all schools and academies. One member of the RNCM Board of Governors is the Head of Service at Bolton Music Service.

CASE Europe

Professional Development in education. One member of the RNCM Board of Governors is a board member CASE Europe.

Chetham's School of Music

Chetham's is a unique cultural institution that combines music, education and heritage for 8-18 year olds whose common passion is music. The Principle and one member of RNCM Board of Governors are both board members of Chethams School of Music.

Conservatoires UK

The RNCM is a member of CUK, who represent the collective views of eleven UK conservatoires to develop best practice for training and education in the performing arts and to promote the sector's excellence nationally and globally. The balance outstanding to the College of £61,884 at year end relates to payments made by the College on behalf of CUK as it acts as an agent to process financial transactions on its behalf. The Principal of RNCM is a board member of Conservatoires UK.

Corridor Manchester

The Oxford Road Corridor supports a number of projects across the partnership for innovation, supporting job growth, carbon reduction programmes, smart cities projects, improvements in transport, culture and way-finding. The Principal of RNCM is a board member of Corridor Manchester.

Creative Industries Federation

The membership body which represents, champions and supports the UK's creative industries. The Principal of RNCM is a board member of Creative Federation.

Halle Concerts Society

The Hallé is an English symphony orchestra based in Manchester, England. It supports a choir, youth choir, youth training choir, children's choir, children's choir and a youth orchestra, and releases its recordings on its own record label. One member of the RNCM Board of Governors is the Chief Executive at Halle Concerts Society.

Howarth of London Ltd

Howarth of London are now internationally known as makers of the finest oboes, oboes d'amore and English horns. Alongside their role as makers, they are one of the world's leading suppliers of oboes, bassoons, clarinets and saxophones. The Principal is a UK Representative of Howarth of London Ltd.

Manchester Camerata

Manchester Camerata are an orchestra and registered charity who work in three specialist areas - schools, health and wellbeing, and youth programmes. One member of the RNCM Board of Governors is a board member of Manchester Camerata.

Manchester University

Higher Education establishment providing a variety of undergraduate and postgraduate courses. One member of the RNCM Board of Governors is a board member of Manchester University.

RNCM Students Union

The RNCM provides support to the RNCM Student's Union by way of an annual grant (£35k 17/18, £38k 16/17). The SU President is a member of the Board of Governors of the RNCM.

Transport for Greater Manchester

Public transport company providing services throughout the Manchester area. One member of the RNCM Board of Governors is an employee of Transport for Greater Manchester.

Yorkshire Young Musicians

Provides advanced training for exceptionally talented young musicians aged between 8 and 18 within the Yorkshire and Humber region. One member of the RNCM Senior Management Team is a board member of Yorkshire Young Musicians.

Board Members

No board member has received any remuneration/waived payments from the group during the year (2017 - none)
The total expenses paid to or on behalf of 18 board members was £6,672 (2016/17 - £4,428 to 21 board members). This represents travel and subsistence expenses incurred in attending Board and Committee meetings in their official capacity.

8 Interest and other finance costs

Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Loan interest	154	154	158	158
Net charge on pension scheme	189	189	230	230
23	<u>343</u>	<u>343</u>	<u>388</u>	<u>388</u>

9 Other operating expenses

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Academic and related expenditure	2,125	1,974	1,594	1,559
Administration and central services	1,376	1,302	1,128	1,117
Premises (including service concession cost)	1,362	1,362	1,271	1,271
Residences, catering and conferences	491	491	493	493
Scholarships and Bursaries	1,697	-	1,482	-
Concerts, Promotions and Performances	859	859	801	801
	<u>7,910</u>	<u>5,988</u>	<u>6,769</u>	<u>5,241</u>
Other operating expenses include:				
External auditors remuneration in respect of audit services	21	21	22	22
External auditors remuneration in respect of non-audit services	18	18	22	22
- non audit services comprised of assistance with Theatre Tax Relief return, corporation tax return, Orchestra Tax Relief and an employee status review.				
Operating lease rentals				
Pianos	353		250	
Other	0		28	
	<u>353</u>		<u>278</u>	

10 Fixed Assets

	Total £'000	Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Musical Instruments £'000	Computer and Recording Equip £'000
Cost or valuation					
At 1 August 2017	49,749	32,320	9,713	4,451	3,265
Additions	1,696	2	921	417	356
Disposals	(55)	-	-	(55)	-
At 31 July 2018	<u>51,390</u>	<u>32,322</u>	<u>10,634</u>	<u>4,813</u>	<u>3,621</u>
Depreciation					
At 1 August 2017	18,587	9,126	4,931	1,437	3,093
Charge for the year	1,400	644	525	27	204
Disposals	(10)			(10)	
At 31 July 2018	<u>19,977</u>	<u>9,770</u>	<u>5,456</u>	<u>1,454</u>	<u>3,297</u>
Net book value					
At 31 July 2018	<u>31,413</u>	<u>22,552</u>	<u>5,178</u>	<u>3,359</u>	<u>324</u>
At 31 July 2017	<u>31,162</u>	<u>23,194</u>	<u>4,782</u>	<u>3,014</u>	<u>172</u>

Included in Land and Buildings is land amounting to £1,025,000 which is not depreciated and which includes land amounting to £225,000 leased to Student Investments (RNCM) Limited. Included within Musical Instruments are string instruments amounting to £2,936,730 and the RNCM Collection of Historical Instruments (RNCM CHMI) amounting to £290,925 which are not depreciated.

The exchequer interest in fixed assets as at 2017/18 was not available from the Office for Students at the time of publication. The exchequer interest as at 2016/17 was £3,494,845. Should these assets be sold, the College may be required, to surrender the proceeds.

11 Investment in associates

The College, through the Endowment Fund, holds a 25% share in the Associated Board of the Royal Schools of Music (ABRSM)

ABRSM is a registered charity, number 292182, and a company limited by guarantee, registered number 1926395, established by the four Royal School's of Music for the benefit of music education. ABRSM has no share capital and the liability of the members in the event of winding up is limited to £1 per member. In the event of a winding up, ABRSM's constitution requires its board to consider, in the first instance, the transfer of surplus assets to any charitable body that is equipped to carry on the work of ABRSM.

ABRSM is an international examining body that offers a system of graded music examination in 80 countries around the world. The company is also a provider of professional development for instrumental and singing teachers. A subsidiary of ABRSM is engaged in the production and sale of music publications.

In the financial statements of the Endowment Fund the interest in ABRSM is carried at cost. In the consolidated figures the interest in ABRSM is represented by the Group's share of the net assets / (liabilities) of ABRSM as at 31 January 2018.

The Group's share of the results of its associate (ABRSM) as at 31 January 2018 are set out below:

	2018 £'000	2017 £'000
Total income	12,445	12,292
	<u>443</u>	<u>1,222</u> *
Operating Surplus after donations to Royal Schools of Music		
Fixed assets	1,113	1,157
Current assets	7,095	6,773
Liabilities due within one year	(3,281)	(3,565)
Provisions	<u>(169)</u>	<u>(184)</u>
Sub total	4,758	4,181
Net pension liability	<u>(5,298)</u>	<u>(5,498)</u>
	<u>(540)</u>	<u>(1,317)</u>
Share of actuarial gain/(loss) pension scheme of associate	80	(2,060)
Gain on forward contract revaluation of associate	<u>254</u>	<u>*</u>
	<u>334</u>	<u>(2,060)</u>

* There was a prior year adjustment within the ABRSM 2017/18 annual financial statements relating to a movement on forward contract revaluation. The movement was not material and has no net impact on the financial statements of the RNCM and therefore no prior year adjustment has been actioned. If restated, the impact would have reduced our surplus to £1,181k for the 2016/2017 and added a loss in the forward contract revaluation of £41k.

12 Trade and other receivables

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Amounts falling due within one year:				
Trade receivables	313	313	181	181
Other receivables	168	124	155	105
Prepayments and accrued income	461	461	412	412
	<u>942</u>	<u>898</u>	<u>748</u>	<u>698</u>

13 Creditors : amounts falling due within one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Unsecured loans	247	247	241	241
Obligations under finance leases	196	196	196	196
Creditors	1,571	1,564	1,243	1,239
Social security and other taxation payable	122	122	120	120
Accruals and deferred income	455	455	543	543
	<u>2,591</u>	<u>2,584</u>	<u>2,343</u>	<u>2,339</u>

14 Creditors : amounts falling due after more than one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Deferred income	887	887	961	961
Obligations under finance leases	506	506	701	701
Unsecured loans	3,011	3,011	3,258	3,258
	<u>4,404</u>	<u>4,404</u>	<u>4,920</u>	<u>4,920</u>
Analysis of secured and unsecured loans:				
Due within one year or on demand (Note 13)	247	247	241	241
Due between one and two years	256	256	249	249
Due between two and five years	644	644	747	747
Due in five years or more	2,111	2,111	2,262	2,262
Due after more than one year	3,011	3,011	3,258	3,258
Total secured and unsecured loans	3,258	3,258	3,499	3,499

15 Provisions for liabilities

Consolidated	Obligation to fund deficit on USS Pension £'000	Pension enhancements on termination £'000	Defined Benefit Obligations (Note 23) £'000	Total Pensions Provisions £'000
At 1 August 2017	(44)	(742)	(6,602)	(7,388)
Utilised in year	(8)	50	1,269	1,311
Interest Charge	(1)	(17)	(841)	(859)
Actuarial (loss)/gain	-	(38)	1,434	1,396
At 31 July 2018	(53)	(747)	(4,740)	(5,540)

Pension enhancement

The assumptions for calculating the provision for pension enhancements on termination under FRS 102, are as follows:

Discount rate	2.8%
Inflation	<u>2.4%</u>

USS deficit

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

16 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2018 Total	2017 Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2017				
Capital	15,856	6,398	22,254	19,085
Accumulated income	77	(1,063)	(986)	259
	15,933	5,335	21,268	19,344
 New endowments	 1	 1,082	 1,083	 1,443
Investment income	2	863	865	785
Expenditure	(89)	(2,163)	(2,252)	(1,978)
Increase in market value of investments	490	684	1,174	1,674
Total endowment comprehensive income for the year	404	466	870	1,924
 At 31 July 2018	 16,337	 5,801	 22,138	 21,268
 Represented by:				
Capital	16,347	8,164	24,511	22,254
Accumulated income	(10)	(2,363)	(2,373)	(986)
	16,337	5,801	22,138	21,268
 Analysis by type of purpose:				
Scholarships and bursaries			18,137	17,179
General			4,001	4,089
			22,138	21,268
 Analysis by asset:				
Current and non-current asset investments			20,739	19,690
Cash & cash equivalents			1,399	1,578
			22,138	21,268

17 Restricted Reserves

Reserves with restrictions are as follows:

	2018 Total £'000	2017 Total £'000
Balances at 1 August 2017	333	57
New donations	171	302
Expenditure	(219)	(26)
Total restricted comprehensive income for the year	(48)	276
At 31 July 2018	285	333
Analysis of other restricted funds /donations by type of purpose:	2018 Total £'000	2017 Total £'000
Scholarships and bursaries	12	12
General	273	321
	285	333

18 Unrestricted Investments

	2018 Total £'000	2017 Total £'000
At 1 August 2017	1,404	1,259
Gains in market value of investments	107	145
At 31 July 2018	1,511	1,404

19 Cash and cash equivalents

	At 1st August 2017 £'000	Cash Flows £'000	At 31st July 2018 £'000
Consolidated			
Cash and cash equivalents - Unrestricted	5,747	1,303	7,050
Cash and cash equivalents - Restricted	333	(48)	285
	6,080	1,255	7,335

20 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2018

	31 July 2018		31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Commitments contracted for	260	260	94	94
	<u>260</u>	<u>260</u>	<u>94</u>	<u>94</u>

The RNCM successfully secured catalyst funding of £1.05m from OfS (previously HEFCE) to support an RNCM Ensemble+ project. This is to be received in instalments over three years. As part of the funding bid, the RNCM, although not contractually, is committed to match fund this £1.05m (£0.57m in 2017/2018)

21 Lease obligations

Total rentals payable under operating leases:

	Pianos £'000	31 July 2018 Other leases £'000	Total £'000
Payable during the year	253	10	263
Future minimum lease payments due:			
Not later than 1 year	253	1	254
Later than 1 year and not later than 5 years	105	-	105
Later than 5 years	-	-	-
Total lease payments due	<u>358</u>	<u>1</u>	<u>359</u>

The college fleet of pianos are leased through a third party. This lease is not subject to any variations in rental values save for changes to VAT. There is no purchase or right to property provision and there are no contingent liabilities arising during or after the leasing periods.

Total rentals payable under finance leases:

	31 July 2018 Fixtures & Fittings £'000	Total £'000
Payable during the year	222	222
Future minimum lease payments due:		
Not later than 1 year	222	222
Later than 1 year and not later than 5 years	574	574
Later than 5 years	-	-
Total lease payments due	<u>796</u>	<u>796</u>

22 Events after the reporting period

There are no events between the end of the reporting period and the date when the financial statements are authorised for issue. The financial statements are authorised for issue on 26 November 2018 by The Board of Governors

23 Pension Schemes

The College's employees belong to three principal pension schemes, the Teachers' Pension Scheme, the Universities Superannuation Scheme and the Greater Manchester Pension Fund.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

The pension cost is assessed every five years in accordance with advice from the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31-Mar-12
Actuarial method	Prospective benefits
Investment returns per annum	8.4% per annum
Pension increases per annum	2.0% per annum
Salary scale increases per annum	4.75% per annum
Market value of assets at date of last valuation	£176,600 million

Proportion of members' accrued benefits covered by the actuarial value of the assets 98.88%.
This is the accrued funding level (prospective funding level for total service is 94%).

Following implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. Employer contribution rates were set at 16.48% of pensionable salaries. The total contribution made for the year ended 31 July 2018 was £892,809 of which employers contributions totalled £574,475 and employees contributions totalled £318,334. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

Universities Superannuation Scheme

The institution participates in Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension 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 institution 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 institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises 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.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that the scheme provided by Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6 billion and the value of the Scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated 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:

	2018	2017
Mortality base table	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. <u>Post retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	98% of SAPS S1NA "light" YOB unadjusted for males. 99% of SAPS S1NA "light" YOB with a -1 year adjustment 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_2014 with a long term rate of 1.5%
The current life expectancies on retirement at age 65 are:	2018	2017
	Males currently aged 65 (years)	24.5
	Females currently aged 65 (years)	26.0
	Males currently aged 45 (years)	26.5
	Females currently aged 45 (years)	27.8
	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total Scheme liabilities	£72.0bn	£77.5bn
FRS 102 total Scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

The total pension contributions for the College was £54,496 of which employers contributions totalled £37,728 and employees contributions totalled £16,768. The contribution rate payable by the College was 18% of pensionable salaries.

Contingent Liability

In September 2005 the government introduced legislation which means an employer cannot withdraw from a multi-employer scheme without funding to a specified level its share of any pension liability in the scheme. The funding level specified is the amount required to buy-out the liabilities with an insurance company, and is commonly known as the buy-out debt or section 75 debt.

The estimated section 75 debt for RNCM in relation to the USS is £1.2m as at 31 March 2018.

23 Pension Schemes (continued)

Greater Manchester Pension Fund

The Greater Manchester Pension Fund (GMPF) is a defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2018 was £1,034,000 of which employers contributions totalled £759,948 and employees contributions totalled £274,352. The agreed contribution rate was 18.9% of pensionable salaries.

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

The pension cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31-Mar-16
Actuarial method	Projected Unit
Investment returns per annum	4.2% per annum
Pension increases per annum	2.1% per annum
Salary scale increases per annum	2.9% per annum
Market value of assets at date of last valuation	£ 17,325million

Proportion of members' accrued benefits covered by the actuarial value of the assets 96.4%.

The following information is based upon a full actuarial valuation of the Fund at 31 March 2016 by a qualified independent actuary.

	Tuesday, 31 July 2018	Monday, 31 July 2017
Inflation	2.40%	2.50%
Rate of increase in salaries	3.20%	3.30%
Discount rate for liabilities	2.80%	2.70%

Default assumption for salary growth is that set for the most recent actuarial valuation for the fund.

Allowing for index returns, the estimated split of assets as at 31 July 18 is shown below :

	Value at Tuesday, 31 July 2018 £'000	Value at Monday, 31 July 2017 £'000
Equities	68.0% 15,973	72.0% 15,536
Bonds	16.0% 3,758	16.0% 3,452
Property	7.0% 1,644	6.0% 1,295
Cash	9.0% 2,114	6.0% 1,295
	<u>23,489</u>	<u>21,578</u>
	Year Ended July 2018 £'000	Year Ended July 2017 £'000
College's estimated asset share	26,452	24,025
Present value of scheme liabilities	(31,021)	(30,450)
Present value of unfunded liabilities	<u>(171)</u>	<u>(177)</u>
Deficit in the Scheme	<u>(4,740)</u>	<u>(6,602)</u>
	Year Ended July 2018 £'000	Year Ended July 2017 £'000
Analysis of the amount charged in the income and expenditure account		
Current service cost	1,547	968
Past service cost	-	-
Curtailment and settlements	<u>-</u>	<u>-</u>
Total operating charge	<u>1,547</u>	<u>968</u>
Analysis of net interest on pension scheme		
Expected return on pension scheme assets	653	509
Interest on pension scheme liabilities	<u>(841)</u>	<u>(738)</u>
Net interest	<u>(188)</u>	<u>(229)</u>
Amount recognised in the statement of comprehensive income		
Actuarial gain / (losses) on pension scheme assets	1,434	2,200
Experience gains and losses arising on the scheme liabilities	(3)	2,585
Change in financial and demographic assumptions underlying the scheme liabilities	<u>1,394</u>	<u>(1,441)</u>
Actuarial gain / (loss)	<u>2,825</u>	<u>3,344</u>
Movement in deficit during the year		
(Deficit) in scheme at 1 August 17	(6,602)	(9,400)
Movement in year:		
Current service charge	(1,547)	(968)
Contributions	761	640
Contributions in respect of unfunded benefits	11	11
Past service costs	-	-
Impact of settlements and curtailments	-	-
Net interest / return on assets	(188)	(229)
Actuarial gain / (loss)	<u>2,825</u>	<u>3,344</u>
Deficit in scheme at 31 July 18	<u>(4,740)</u>	<u>(6,602)</u>

23 Pension Schemes (continued)

History of experience gains and losses

	Year Ended July 2018 £'000	Year Ended July 2017 £'000	Year Ended July 2016 £'000	Year Ended July 2015 £'000	Year Ended July 2014 £'000
Difference between the expected and actual return on assets	1434	2200	1574	181	15
Value of assets	26452	24025	21110	18730	17483
% of scheme assets	5.4%	9.2%	7.50%	0.97%	0.09%
Experience gains / (losses)					
on liabilities	(3)	2585	314	172	(700)
Present value of liabilities	31192	30627	30510	26353	23663
% of scheme liabilities	-0.01%	8.44%	1.03%	0.65%	-2.96%
Amount recognised in the statement of comprehensive income					
	2825	3344	(1,317)	(1,365)	(2,255)
Present value of liabilities	31192	30627	30510	26353	23663
% of scheme liabilities	9.06%	10.92%	-4.32%	-5.18%	-9.53%

In calculating the fund assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

Pension Charge (see note 7)	2018 £	2017 £	2016 £	2015 £
TPS ERS cash contributions	574,475	557,374	487,849	373,465
USS ERS cash contributions	37,728	29,573	25,053	25,221
GMPF charged to CSCI	759,948	692,841	657,217	572,842
Enhanced pension charge (note 15)	17,098	27,266	27,935	32,995
Net adjustment relating to retirement benefits	775,000	317,000	183,000	149,000
	<u>2,164,249</u>	<u>1,624,054</u>	<u>1,381,054</u>	<u>1,153,523</u>

Where the institution closes and there is no successor establishment, the Secretary of State becomes the compensation authority.

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 July 2018:	Approximate % increase to	Approximate monetary
0.5% decrease in Real Discount Rate	11%	3546
0.5% increase in the Salary Increase Rate	2%	509
0.5% increase in the Pension Increase Rate	10%	2994

Notes:

"In order to quantify the impact of a change in the financial assumptions used, we have calculated and compared the value of the scheme liabilities as at 31 July 2018 on varying bases. The approach taken is consistent with that adopted to derive the FRS102 figures provided in this report.

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

24 Connected Charitable Institutions

Two charitable institutions are administered by the College and have been established for its general or special purposes. The connected institutions are included as a subsidiary undertaking in these consolidated financial statements. The RNCM Finance Committee acts as the trustee of each charity. The movements in the year on the funds of the connected institutions, as reported in their own accounts, were as follows:

	RNCM Awards Fund	RNCM Endowment Fund
Income	1,820,109	2,292,674
Expenditure	<u>1,718,458</u>	<u>1,475,797</u>
Surplus for the year	<u>101,651</u>	<u>816,877</u>
Assets	18,154,437	14,956,567
Liabilities	<u>15,884</u>	<u>17,169</u>
Net	<u>18,138,553</u>	<u>14,939,398</u>

The objectives of the RNCM Awards Fund is to apply its income to the education of students of the RNCM by the award of prizes, scholarships, exhibitions, grants for travel or for the purchase of musical instruments, maintenance allowances or other similar benefits. The objectives of the RNCM Endowment Fund is to apply its income in such ways as the trustee considers fit for the general purposes of the RNCM and the Junior School at the RNCM and in the advancement of the education of its students and former students.

25 Financial Instruments

	Consolidated 31-Jul-18 £'000	College 31-Jul-18 £'000	Consolidated 31-Jul-17 £'000	College 31-Jul-17 £'000
<u>Financial assets</u>				
Investments held at fair value	22,108	-	20,940	-
Trade and other receivables at cost	942	898	748	698
Cash and cash equivalents	<u>7,335</u>	<u>218</u>	<u>6,080</u>	<u>205</u>
Total financial assets	<u>30,385</u>	<u>1,116</u>	<u>27,768</u>	<u>903</u>
<u>Financial liabilities</u>				
Trade payables at cost	668	668	348	348
Loans at cost	3258	3258	3499	3499
Obligations under finance leases	<u>702</u>	<u>702</u>	<u>897</u>	<u>897</u>
Total financial liabilities	<u>4,628</u>	<u>4,628</u>	<u>4,744</u>	<u>4,744</u>

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