

RNCM Financial Statements

31 July 2017

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The Patron, the President and the Governors

Patron

HER MAJESTY THE QUEEN

President

SIR WILLARD WHITE (*to 31 December 2016*)

SIR JOHN TOMLINSON CBE (*from 1 January 2017*)

Governors

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

Martin Vander Weyer (*Deputy Chairman*)^{1,3}

Carolyn Baxendale²

Mark Blundell¹

Chris Cox

Professor Lynne Dawson^{4,6}

Amy Ellison² (*from 1 January 2017*)

Mike Emmerich^{1,4}

Professor David Fanning² (*to 31 December 2016*)

Diane Gilhooley³

Felicity Goodey³

Jonathan Groves^{4,5}

Dr Jon Lamonte (*from 1 January 2017*)

Sir Alan Langlands

Audrey Lawrence-Mattis⁶ (*from 1 January 2017*)

Hazel Province (*from 1 April 2017*)

Alex Robertson⁶ (*to 31 December 2016*)

David Roper²

John Summers¹

Blanc Wan⁵

Nick Ware⁷

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

The President of the Students' Union (Hayley Parkes (*to 30 June 2017*), Theodore Fowler (*from 1 July 2017*))

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 2016-17, 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

Vice Principal (Operations)

Sue Baines, BA(Hons), MBA

Vice Principal (Performance)

Paul Goodey, BMus(Hons), MMus, DMus, FRNCM, DipRCM (*to 31 March 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



Welcome from the Chairman 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 2017.

The past 12 months have been extremely positive for the RNCM. In summer – after previously securing Institution-Specific Funding in recognition of our world-class status – the Higher Education Funding Council for England acknowledged us as 'outstanding' in its first Teaching Excellence Framework. The Gold award, awarded for three years, was presented to only three of the UK's music conservatoires and as such places us joint top of the conservatoire sector for teaching. This recognition also complements our position as the leading music college for Research following 2014's Research Excellence Framework.

The summer brought exceptional results in the 2017 National Student Survey, with the RNCM achieving an impressive 89% for overall student satisfaction. This result included an outstanding 100% for our Popular Music programme.

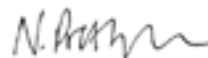
The 2016 Destination of Leavers of Higher Education Survey showed, yet again, that 100% of our graduates are either working or undertaking further study six months after completing their degrees, highlighting our commitment to offering the very best real-world experience for students during their studies.

Our award success continued in November when we won the 'Outstanding International Student Strategy' category at the Times Higher Education Awards for *Read with the World*, a project designed to help international students develop their language skills and cross-cultural competencies. The win marked our second successive Times Higher Education Award after we secured success in 2015 for 'Excellence and Innovation in the Arts'. Adding to this, the past year has also brought accolades from the Department for International Trade, which presented us with a China International Trade Award for our strong educational links with China, and the inaugural Northern Soul Awards announced the RNCM as the North West's Best Large Music Venue.

There is no denying that uncertainty hangs in the air for our higher education sector as the UK prepares to leave the European Union, but as we approach the latter stages of our Strategic Plan, *RNCM 2020*, our 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 our high quality dedicated staff and the 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 Junior RNCM (our Saturday pre-tertiary music school for some 200 gifted young musicians aged 8-18 drawn from across the North of England), our series of specialist open access Young Projects, and RNCM Engage, our extensive widening participation programme, we are also reaching out to local communities on a significant scale, both through student placements with organisations around the North West and our own inreach and outreach events.

At the end of this financial year our net assets totalled £44.7m (including £6m in cash), indicating another solid financial performance. And, as we look to fulfil our remaining strategic aspirations, the buoyant investment and development agendas we have in place will ensure that we can continue to invest in our students, staff and facilities, building on our reputation as a world-leading conservatoire.



Nick Prettejohn



Professor Linda Merrick

Strategic Report

RNCM

The RNCM exists to educate and train musicians to the highest level in an environment that is musically and creatively stimulating and rich in opportunity. It is focused on nurturing and developing students' capacity to innovate, to inspire others and to be musical leaders of the future.

The RNCM is a conservatoire of global significance, defined by the quality, breadth and contemporary relevance of its work. Our ambition is to be a destination of choice for students and staff from across the world, a powerful voice in music education, and a laboratory for creativity and innovation in artistic practice. Proud to be in Manchester, *RNCM 2020* will reach out to its local and regional communities, enhancing opportunities and enriching lives. Working with a unique network of world-class partners, it will shape the music profession of the future.

Excellence in teaching

The RNCM is committed to delivering the highest quality learning, teaching, performance and research. In June, the College was acknowledged as 'outstanding' in the Higher Education Funding Council

for England's first Teaching Excellence Framework (TEF). This Gold status complements the RNCM's current position as the UK's leading music college for Research following 2014's Research Excellence Framework (REF), and supports HEFCE's 2016 decision to award the College Institution-Specific Funding.

The RNCM places great significance on the world-class teaching, facilities and learning environment it provides for students. This year, the College achieved an exceptional 89% in the National Student Survey (NSS) for overall student satisfaction, well above HEFCE's benchmark of 81%. NSS results were gathered for both the BMus (Hons) Degree, which included 91% for the School of Wind, Brass and Percussion, and the BMus (Hons) Degree in Popular Music, which received 100% for overall student satisfaction.

The increasing ambition of the RNCM will be manifest in a major new development, which will result in a newly-conceived, fully digitally-enabled building, giving students the opportunity to work across boundaries, and to create, capture and share their work online, whilst expanding the RNCM's digital footprint.

Key Facts	2016 - 17	2015 - 16
Student employability	100%	100%
Student retention*	98/1%	98.1%
Total number of students	869	848
Total number of staff	231	220
Total income	£22m	£21m

* source: HESA Student Return 2016/2017

Public benefit and charitable status

In setting and reviewing the RNCM's objectives and activities, the Board of Governors has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly its supplementary public benefit guidance on the advancement of education.

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. Its objectives, powers and framework are set out in the Articles of Government.

Widening participation and access

The key beneficiaries of the RNCM's activities are its students, who develop and hone their musical skills to a professional level during their studies. Other beneficiaries include schoolchildren, who are offered high quality experiences of, and training in, music at the RNCM and in their own schools and music education hubs. The general public are also significant beneficiaries of the RNCM's work, having access to the wide variety of musical activities taking place in the College and being able to hire world class facilities for their own performance activities, conferences and events. External stakeholders using College facilities enrich the local cultural environment, whilst by coming to the RNCM, audiences are able to access and experience a much wider range of musical activity in the City Region than would otherwise be available to them.

The RNCM is committed to ensuring that students from all backgrounds have the opportunity to excel on their chosen programme of study. It provides over £1m per annum in the form of bursaries, scholarships and awards from its Endowment Funds to support those who may not otherwise be able to attend. The development of a musician from the point of first encountering an instrument to reaching the standard required for entry to a conservatoire can often take 10 years. To widen participation and access to RNCM programmes, it is vital that talent is identified and nurtured from an early stage, irrespective of background. The RNCM is rightly proud of its record in achieving this goal.

Junior RNCM (JRNCM) is a critical part of the College's widening participation strategy, drawing some 200 talented pre-tertiary music students to the College every Saturday in term time from across the North of England and beyond. The majority of these students are in receipt of full bursaries from the Government's Music and Dance Scheme, meaning that they can benefit from a high-quality music education irrespective of their background or ability to pay. Many no longer have access to GCSE or A Level music tuition in their schools, and are part of a very small peer group, so are reliant on the JRNCM to develop their musical potential. The destinations of JRNCM students are exceptional, with the majority securing places at top conservatoires and universities in the UK and overseas.

RNCM Engage, the College's learning and participation programme, and the training ground for its students in creative and professional practice, 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 to 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. These activities raise aspiration, enhance the provision music services can make available within limited funds, and enable those with talent to develop the skills and confidence they need to succeed at audition should they wish to progress their studies at higher education level.

Each year the RNCM invests over half a million pounds on widening participation and access. For 2015/16, more than £200k of this supported RNCM Engage activities.

Unrivalled opportunities

RNCM students receive world-class training for professional careers in music through a mixture of individual tuition, workshops, ensembles and masterclasses, supported by lectures, seminars, individual academic tutorials and placement activities.

Strategic Report

Via The Platform, the College's international centre for ensemble and vocal training, the RNCM provides over 400 opportunities each year for students to participate in auditions, education projects and public performances with top professional ensembles in the UK and Mainland Europe. In partnership with leading orchestras, ensembles, brass bands, choirs, ballet and opera companies, The Platform provides access to an unrivalled breadth and depth of immersive learning experiences that develops the skills and connections necessary to become a professional musician.

As one of the UK's busiest live music venues, the RNCM also offers over 450 concerts and events each year ranging from brass, chamber, classical and contemporary to jazz, opera and popular music. Our extensive and diverse artistic programme provides students with numerous public performance opportunities, while 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.

Looking beyond Greater Manchester, the RNCM's many partnerships with public and private sector music education organisations, such as 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.

The College has established exciting institutional partnerships with leading conservatoires worldwide. Over the past 12 months, new partnerships include 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.

In addition, the College will be embarking upon a four-year, £2m 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.

Financial Review

Financial strategy

The Financial Strategy supports the achievement of the Strategic Plan, RNCM 2020, to ensure the long-term sustainability of the College, by developing and maintaining capacity to achieve current objectives, funding to meet investment needs and evaluating strategic options and risks, along with progress reviews and appropriate financial control in an environment that encourages financial enterprise, autonomy with accountability.

Financial review

The financial performance of the College is on track to ensure long-term sustainable resistance to the risks outlined later in this section, with a continuing positive cash generation.

The College's key financial performance indicators

Financial Key Performance Indicators £M	2016 - 17	2015 - 16
Net Liquidity days	122	88
Staff Cost as a % of Income	53%	51%
Endowment Assets	21.3	19.3
Net Pension Liability	(7.4)	(10.2)

The main elements of the financial results are shown in the table below

Income and Expenditure £M	2016 - 17	2015 - 16
Income	21.9	20.8
Expenditure	20.0	18.7
Operating Surplus	1.8	2.1
Share of Associate Surplus	1.2	0.1

Income

The RNCM continued its managed growth strategy for both home and international students, increasing tuition fee income by £1m. Other increase in income related to three endowments received: the Alice Orrell and Norma Kendal Scholarship, £0.3m; the Thomas W Smith Scholarship, £0.1m; and the Dorothy Smith Scholarship, £0.1m.

Financial Review

Expenditure

Expenditure increased during the year due to increased staff costs, £0.9m, reflecting an increased investment in staffing, a pay award and an increase in pension costs. Other operating expenses increased by £0.4m due to an increased investment in estate costs and an increase in student support. Details of the charitable expenditure of the Endowment and Awards funds are reported in their respective financial Statements to 31 July 2017.

Share of associate surplus

The College consolidates its share of the surplus on continuing operations of its associate company, the Associated Board of the Royal Schools of Music (ABRSM). In addition, the College receives a donation from ABRSM, (£1.6m, 2016/17, £1.2m, 2015/16).

Balance sheet

The College ended the year with assets of £44.7m - £6.2m up on the previous year. Endowment assets increased in the year due to new endowments and capital gains, despite additional capital growth being released from the Awards Fund through adopting total return basis and utilisation of a restricted fund within the Endowment Fund (The Jellis Bequest) to purchase newly manufactured high-quality stringed instruments, £0.4m.

Net current assets increased due to an improved cash balance, £1.9m, offset by a reduction in the share of ABRSM liability, £0.8m.

The Pension Liability decreased in the year by £2.9m. This will continue to be monitored although the College has no direct control over this.

Risks

The College has embedded a system of internal control, including strategic, financial, and 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. The Performance and Risk Management Summary sets out the strategic targets and risks facing the institution in terms of progress towards the targets, [Exceeding, On track, Minor Concerns and Major Concerns] and the risk level [High, Medium, Low and Insignificant] of the particular area. The elements are viewed in terms of Risk, Mitigation and Latest updates. Areas with either a progress measure of Major Concerns or a risk profile of High are elevated to a Key Risk Register for particular attention.

Principal risks

Outlined below is a brief summary of the principal risk factors which may affect the College.

Reputation

The RNCM has a reputation for excellence in teaching and learning. This was confirmed when HEFCE acknowledged the College as 'outstanding' in its first Teaching Excellence Framework. The RNCM continues to discharge carefully its responsibilities in relation to safeguarding its students and staff.

Financial – market value and interest rate

The College has a significant Endowment of £21m 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, £0.6m, subject to base rate interest movements, and a fixed term, fixed rate bank loan of £2.9m.

Financial instruments

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

Ultimate responsibility for liquidity risk management rests with the Board of Governors. 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 enable the College to respond to possible future reductions in income.

Tuition fee policy

Due to recent changes to government tuition fee policy, there is uncertainty around tuition fee levels at this time. However, applications to the College for the 2018/19 academic year have increased and the RNCM remains in a positive position as it continues to attract exceptional students from all over the world.

Brexit

The decision to leave the European Union brings uncertainty to the Higher Education sector throughout the UK. Currently, 10% of the RNCM's student body comes from mainland Europe, and whilst the government has confirmed that financial support remains available for musicians applying in the 2018/19 academic year (and will remain available for the duration of their course), Brexit continues to present an ongoing concern for the College.

The uncertainty around the future status of EU funding may impact upon overseas recruitment. However, as we await further information on the full implications of the result and the next steps to be taken by the government, the extensive support mechanisms in place for RNCM students will continue unchanged. In the months ahead, we will be liaising closely with Conservatoires UK (CUK) and Universities UK (UUK), and with all other relevant agencies to seek guidance and assurances as further policy decisions are taken.

Financial Review

Staff

As a small institution with limited staffing resource, the College is at risk from the loss of key staff. Staff costs rose in 2016-17 due to an incremental increase and an increased investment in staffing, and increased to 53% of income. Mitigation of the impact of the loss of key staff and management of the significant staff costs remain a substantial risk for the College in terms of organisational performance, and the level of the nationally-negotiated settlement and the impact of pension liabilities.

General economic outlook

Inflation has started to increase, 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 and the current pay settlement was made at 1.1%. For 2017-2018 the pay settlement has been agreed at 1.7%.

Visa regulations

Visa regulations make international recruitment an even more difficult market. Whilst these measures are designed at removing abuse from the system and are particularly targeted at private sector education providers, they contribute to a perceived reduction of the attractiveness of the UK as a place to study and create hurdles for the College in its overseas student recruitment strategy. The College has again retained its Tier 4 Sponsor status and continues to achieve a very high rate of Confirmation of Acceptance for Studies (98.55%, 2016-17, 97.3%, 2015-16).

KPIs

A number of key performance indicators have been identified by the Board of Governors which includes both financial and activity-based indicators. These are noted in the *RNCM 2020* and will be updated as their relevancy alters in response to changes in the environment in which the College operates. Strategy, performance reporting, including the use of KPIs, and risk management are viewed as complementary indicators which the Board will review at least annually and more frequently for some indicators.

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 Higher Education Funding Council of England (HEFCE) 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 its funding bodies 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 First (1995) and Second (1996) Reports of the Committee on Standards in Public Life. 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 Chairman and Deputy Chairman 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 Chairman 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), HEFCE 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 Chairman of the Board, and two other independent members of the Board, including the Deputy Chairman. 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

Corporate Governance Statement (continued)

to consider such strategic staffing issues as may be referred to it by the Board, or by the Executive Committee of the RNCM.

The Nominations Committee comprises the Chairman 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.

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 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 in this regard is regulated in accordance with the terms of a Financial Memorandum issued by HEFCE in August 2014, and it is also aware of its obligations to take into account any relevant guidance on accountability, probity or value for money issued from time to time by HEFCE, the National Audit Office or the Public Accounts Committee.

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 2017. The Board acknowledges its responsibility for the RNCM's overall system of internal control and for reviewing its effectiveness. The system managed by the Deputy Principal, 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 2016 to 31 July 2017 and up to the date of approval of the audited financial statements, on 21 November 2017.

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

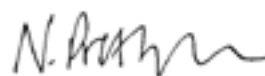
the Board and apply to the RNCM and all its related undertakings, and include all funds passing through its accounts. They encompass the processes to investigate fraud and other financial irregularities, budgeting and forecasting, the treatment of year-end balances and capital expenditure programmes 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 Operational 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 Performance and Risk Management Summary 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 either a progress measure of Major Concerns or a risk profile of High are elevated to a Key Risk Register for particular attention. These arrangements have been reviewed by the Internal Auditor during the period with the conclusion that they are fit for purpose.



Chairman of the Board of Governors

Statement Of Board Of Governors' Responsibilities In Respect Of The Annual Report And The Financial Statements

The Board of Governors Council are responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Higher Education Funding Council for England's Memorandum of Assurance and Accountability issued by HEFCE 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 Memorandum of Assurance and Accountability further requires 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 HEFCE's Accounts Direction to higher education institutions. The directors 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 directors 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 adequate accounting records that are sufficient to show and explain the parent College's transactions and disclose with reasonable accuracy at any time the financial position of the parent College and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. 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 under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- 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 Governing Body Board of Governors of Royal Northern College of Music

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Royal Northern College of Music ('the College') for the year ended 31 July 2017 which comprise the consolidated statement of comprehensive income and expenditure, consolidated and college statement of changes in reserves, balance sheet, consolidated cash flow statement and related notes, including the statement of principal 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 2017, 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 HEFCE's Accounts Direction to higher education institutions for 2016-17 financial statements.

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 Report and 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 15, 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

Independent Auditor's Report to the Governing Body Board of Governors of Royal Northern College of Music (continued)

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 HEFCE Audit Code of Practice (effective 1 August 2016) 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; 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 University's Articles of Government and section 124B of the Education Reform Act 1988 (for post-1992 institutions). 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.



Clare Partridge
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Leeds
LS1 4DA

29 November 2017

Statement of Principal Accounting Policies

Year ended 31 July 2017

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). The financial statements are prepared in accordance 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 2017.

2. Income recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure 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 statement of income and expenditure on a receivable basis.

3. Realised and unrealised gains and losses

Realised and unrealised gains or losses on investments are recognised on the Consolidated Statement of Comprehensive Income and Expenditure.

4. 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 funding council block grant 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.

5. 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

Statement of Principal Accounting Policies (continued)

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.

6. Pension schemes

The College participates in three pension schemes, the Teachers' Pension Scheme (TPS) and the Universities Superannuation Scheme (USS) for academic staff and the Greater Manchester Pension Fund (GMPF) for non-academic staff. 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 schemes 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 defined contribution schemes and the contributions 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 and therefore 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.

7. 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.

8. 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. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets: Where significant expenditure is incurred on buildings it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- 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

9. 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.

10. Equipment

Equipment costing less than £1000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Upon transition to FRS102 the College has carried forward the depreciated cost arising from historic valuations.

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	4%
Fixtures and fittings	10%
Computer and recording equipment	20% - 33%

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.

11. Musical instruments

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

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

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 (RNCM CHMI) is identified as a heritage asset. The collection is reported in the Balance Sheet at cost.

12. Stocks

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

13. Maintenance of premises

The cost of routine corrective maintenance is charged to the statement of comprehensive income and expenditure account as incurred.

14. Taxation status

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and

Statement of Principal Accounting Policies (continued)

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.

15. 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.

16. 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.

17. Liquid resources

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

18. 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.

19. Accounting for associate

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

20. 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 initially recorded at the transaction price, net of transaction costs. Subsequently, they are measured at the transaction price net of transaction costs.

Consolidated Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £'000	College £'000	Consolidated £'000	College £'000
Income					
Tuition fees and education contracts	1	10,117	10,117	9,493	9,493
Funding body grants	2	4,940	4,929	4,496	4,485
Research grants and contracts	3	101	101	150	91
Other income	4	2,384	2,888	2,796	3,029
Investment income	5	818	2	739	6
Total income before endowments and donations		18,360	18,037	17,674	17,104
Donations and endowments	6	3,528	-	3,141	-
Total income		21,888	18,037	20,815	17,104
Expenditure					
Staff costs	7	11,659	11,659	10,708	10,708
Other operating expenses	9	6,769	5,241	6,383	5,031
Depreciation	10	1,243	1,243	1,103	1,103
Interest and other finance costs	8	388	388	472	472
Total expenditure		20,059	18,531	18,666	17,314
Surplus/(deficit) before other gains losses and share of operating surplus of associate.		1,829	(494)	2,149	(210)
Gain on disposal of fixed assets		20	20	10	10
Gain on investments	16/18	1,819	-	525	-
Share of operating surplus in associate	11	1,222	-	106	-
Surplus / (Deficit) for the year		4,890	(474)	2,790	(200)
Actuarial gain/(loss) in respect of pension schemes	23	3,358	3,358	(1,328)	(1,328)
Share of actuarial (loss)/gain pension scheme of associate		(2,060)	-	1,141	-
Total comprehensive income for the year		6,188	2,884	2,603	(1,528)
Represented by:					
Endowment comprehensive income for the year		1,924	-	1,132	-
Restricted comprehensive income for the year		276	-	25	-
Unrestricted comprehensive income for the year		3,988	2,884	1,446	(1,528)
		6,188	2,884	2,603	(1,528)

All items of income and expenditure relate to continuing activities

Consolidated and College Statement of Changes in Reserves

Year Ended 31 July 2017

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2015	18,212	32	12,775	4,924	35,943
Surplus/(deficit) from the income and expenditure statement	1,132	25	1,633	-	2,790
Other comprehensive income	-	-	(187)	-	(187)
Transfers between revaluation and income and expenditure reserve	-	-	130	(130)	-
Total comprehensive income for the year	1,132	25	1,576	(130)	2,603
Balance at 1 August 2016	19,344	57	14,351	4,794	38,546
Surplus 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 31 July 2017	21,268	333	18,468	4,665	44,734

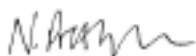
College	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2015	-	-	11,178	4,924	16,102
(Deficit) from the income and expenditure statement	-	-	(200)	-	(200)
Other comprehensive income	-	-	(1,328)	-	(1,328)
Transfers between revaluation and income and expenditure reserve	-	-	130	(130)	-
Total comprehensive income for the year	-	-	(1,398)	(130)	(1,528)
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 31 July 2017	0	0	12,793	4,665	17,458

Balance Sheet

Year Ended 31 July 2017

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated £'000	College £'000	Consolidated £'000	College £'000
Non-current assets					
Fixed assets	10	31,162	31,162	30,543	30,543
Investments	18	1,404	-	1,259	-
Endowment assets	16	21,268	-	19,344	-
		<u>53,834</u>	<u>31,162</u>	<u>51,146</u>	<u>30,543</u>
Current assets					
Stock		40	40	36	36
Trade and other receivables	12	748	698	739	690
Cash and cash equivalents	19	6,080	205	4,116	316
		<u>6,868</u>	<u>943</u>	<u>4,891</u>	<u>1,042</u>
Less: Creditors: amounts falling due within one year	13	(2,343)	(2,339)	(2,188)	(2,187)
Share of net liabilities in associate	11	(1,317)	-	(479)	-
Net current assets/(liabilities)		3,208	(1,396)	2,224	(1,145)
Total assets less current liabilities		57,042	29,766	53,370	29,398
Creditors: amounts falling due after more than one year	14	(4,920)	(4,920)	(4,575)	(4,575)
Provisions					
Pension provisions	15	(7,388)	(7,388)	(10,249)	(10,249)
Total net assets		44,734	17,458	38,546	14,574
Restricted Reserves					
Income and expenditure reserve - endowment reserve	16	21,268	-	19,344	-
Income and expenditure reserve - restricted reserve	17	333	-	57	-
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		18,468	12,793	14,351	9,780
Revaluation reserve		4,665	4,665	4,794	4,794
		<u>44,734</u>	<u>17,458</u>	<u>38,546</u>	<u>14,574</u>

The financial statements were approved by the Governing Body on 27 November 2017 and were signed on its behalf on that date by:



Chairman of the Board of Governors, Nick Prettejohn



Chairman of the Finance Committee, Martin Vander Weyer



Principal, Linda Merrick

Consolidated Cash Flow Statement

Year Ended 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Cash flow from operating activities			
Surplus for the year		4,890	2,790
Adjustment for non-cash items			
Depreciation	10	1,243	1,103
(Gain) on investments	16/17	(1,819)	(525)
(Increase) in stock		(4)	(2)
(Increase) in debtors	12	(9)	(225)
Increase in creditors	13/14	725	238
(Decrease)/Increase in pension provision	15	(1,563)	1,563
Share of operating surplus in associate	11	(1,222)	(106)
Adjustment for investing or financing activities			
Investment income	5	(818)	(739)
Interest payable	8	158	194
Endowment income		(1,443)	(1,431)
Profit on the sale of fixed assets		(20)	(10)
Capital grant income		(123)	(103)
Net cash inflow from operating activities		<u>(5)</u>	<u>2,747</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets		20	13
Capital grants receipts		123	103
Disposal of non-current asset investments		5,992	5,112
Movement in restricted and endowment asset cash		363	62
Investment income		818	739
Payments made to acquire fixed assets		(1,883)	(1,209)
Investment management fee		(111)	(64)
New non-current asset investments		(5,261)	(5,108)
New deposits		0	(1,553)
		<u>61</u>	<u>(1,905)</u>
Cash flows from financing activities			
Interest paid		(158)	(194)
Interest element of finance lease and service concession payments		(6)	(6)
Endowment cash received		1,443	1,431
Repayments of amounts borrowed		(235)	(1,202)
Capital element of finance lease and service concession payments		864	(33)
		<u>1,908</u>	<u>(4)</u>
Increase in cash and cash equivalents in the year		<u>1,964</u>	<u>838</u>
Cash and cash equivalents at beginning of the year	19	4,116	3,278
Cash and cash equivalents at end of the year	19	6,080	4,116

Notes to the Accounts

Notes to the Accounts

Year Ended 31 July 2017

	Notes	Year Ended 31 July 2017		Year Ended 31 July 2016	
		Consolidated £'000	College £'000	Consolidated £'000	College £'000
1 Tuition fees and education contracts					
Full-time home and EU students		6,051	6,051	5,647	5,647
Full-time international students		3,126	3,126	2,908	2,908
Other fees, Junior RNCM and Young Strings		940	940	938	938
		10,117	10,117	9,493	9,493
2 Funding body grants					
Recurrent grant					
Higher Education Funding Council		4,817	4,806	4,393	4,382
Specific grants					
Capital grant		123	123	103	103
		4,940	4,929	4,496	4,485
3 Research grants and contracts					
Research councils		101	101	119	60
Other		-	-	31	31
		101	101	150	91
4 Other income					
Residences, catering and conferences		1,173	1,173	1,126	1,126
Other capital grants		0	382	-	227
Other income		1,211	1,333	1,670	1,676
		2,384	2,888	2,796	3,029
5 Investment income					
Investment income on endowments	16	785	-	657	-
Investment income on restricted reserves	17	-	-	-	-
Other investment income		33	2	82	6
		818	2	739	6
6 Donations and endowments					
New endowments	16	1,443	-	1,431	-
Donations with restrictions	17	302	-	122	-
Unrestricted donations		1,783	-	1,588	-
		3,528	0	3,141	0

	Year Ended 31 Jul 2017		Year Ended 31 July 2016	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
7 Staff costs				
Staff Costs :	£'000	£'000	£'000	£'000
Salaries	9,613	9,613	8,919	8,919
Social security costs	786	786	629	629
Movement on USS provision	(20)	(20)	(10)	(10)
Other pension costs	1,280	1,280	1,170	1,170
Total	11,659	11,659	10,708	10,708

Emoluments of the Principal:	£	£
Salary*	137	129
Benefits	2	2
Sub total	139	131
Pension contributions	22	21
Total Emoluments	161	152

*No salary sacrifice arrangements are in place

Remuneration of other higher paid staff, excluding employer's pension contributions
[all shown before any salary sacrifice]:

	No.	No.
£100,000 to £109,999	-	1
£110,000 to £119,999	1	-
	1	1

Average staff numbers by major category :	No.	No.
Academic	78	70
Professional Services	153	150
	231	220

	£'000	£'000
Severance costs payable recorded within staff costs	45	8

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 2017 £'000	Year Ended 31 July 2016 £'000
Key management personnel compensation	391	380

Notes to the Accounts (continued)

Year Ended 31 July 2017

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

RNCM Students' Union

The RNCM provides support to the RNCM Student's Union by way of an annual grant (£38k 16/17, £34k 15/16). The SU President is a member of the Board of Governors of the RNCM.

Associated Board of the Royal Schools of Music (ABRSM)

The Principal and a member 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 (£1.56m 16/17, £1.2m 15/16).

£196 was outstanding at 31 July 2017 and no debts were written off.

Conservatoires UK (CUK)

The Principal and a member of the RNCM Board of Governors are both board members of CUK.

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 RNCM pays a membership fee of £7,720 and also acts as an agent to process financial transactions on its behalf. In 2016/17 this amounted to payments totalling £49,492.

£2,001 was outstanding at 31 July 2017 and no debts were written off.

Manchester Camerata

A member of the RNCM Board of Governors is a board member of Manchester Camerata.

Manchester Camerata are an orchestra and registered charity who work in three specialist areas - schools, health and wellbeing, and youth programmes. They are an official RNCM partner and were based within the RNCM until May 2017 hence the transactions in 2016/17, amounting to £25,981, related to rental of office space and associated facilities.

No amounts were outstanding at 31 July 2016 and no debts were written off.

Hallé Concerts Society

A member of the RNCM Board of Governors is the Chief Executive at 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.

Payments to Halle Concerts Society in 2016/17, amounting to £31,040, related to an educational programme for RNCM students.

Receipts from Halle Concerts Society in 2016/17, amounting to £5,040, related to various auditions held at the RNCM.

Grove Artists Ltd

A member of the RNCM Board of Governors is a Director at Groves Artists Ltd.

Grove Artists Ltd is a company dedicated to the personal management of conductors, singers and stage directors.

Payments to Grove Artists in 2016/17, amounting to £11,742, related to the engagement of various artists.

Board members

No board member has received any remuneration/waived payments from the group during the year (2016 - none)

The total expenses paid to or on behalf of 21 board members was £4,428 (2015/16 - £6,302 to 19 board members). This represents travel and subsistence expenses incurred in attending Board and Committee meetings in their official capacity.

	Notes	Year Ended 31 July 2017		Year Ended 31 July 2016	
		Consolidated £'000	College £'000	Consolidated £'000	College £'000
8 Interest and other finance costs					
Loan interest		158	158	194	194
Net charge on pension scheme	23	230	230	278	278
		388	388	472	472
9 Other operating expenses					
Academic and related expenditure		1,594	1,559	1,466	1,420
Administration and central services		1,128	1,117	1,295	1,288
Premises (including service concession cost)		1,271	1,271	1,136	1,136
Residences, catering and conferences		493	493	481	481
Scholarships and Bursaries		1,482	-	1,299	-
Concerts, Promotions and Performances		801	801	706	706
		6,769	5,241	6,383	5,031
Other operating expenses include:					
External auditors remuneration in respect of audit services		28	22	32	25
External auditors remuneration in respect of non-audit services		22	22	191	191
- 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	250		253	
	Other	28		13	
		278		266	
10 Fixed assets					
	Total	Land and Buildings	Fixtures, Fittings and Equipment	Musical Instruments	Computer and Recording Equip
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	47,887	32,320	8,456	4,045	3,066
Additions	1,883	-	1,257	427	199
Disposals	(21)	-	-	(21)	-
At 31 July 2017	49,749	32,320	9,713	4,451	3,265
Depreciation					
At 1 August 2016	17,344	8,482	4,480	1,409	2,973
Charge for the year	1,243	644	451	28	120
Disposals	0				
At 31 July 2017	18,587	9,126	4,931	1,437	3,093
Net book value					
At 31 July 2017	31,162	23,194	4,782	3,014	172
At 31 July 2016	30,543	23,838	3,976	2,636	93

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 £2,594,993 and the RNCM Collection of Historical Instruments (RNCM CHMI) amounting to £290,925 which are not depreciated.

The exchequer interest in fixed assets is £3,494,845. Should these assets be sold, the College may be required, under the terms of the Memorandum of Assurance and Accountability with HEFCE, to surrender the proceeds.

Notes to the Accounts (continued)

Year Ended 31 July 2017

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 2017.

The Group's share of the results of its associate (ABRSM) as at 31 January 2017 are set out below:

	2017 £'000	2016 £'000
Total income	12,292	11,034
Operating Surplus after donation	1,222	245
Prior year adjustment	(1,222)	(139)
	<u>1,222</u>	<u>106</u>
Fixed assets	1,157	415
Current assets	6,773	6,355
Liabilities due within one year	(3,565)	(2,454)
Provisions	(184)	(829)
Sub total	4,181	3,487
Net pension liability	(5,498)	(3,966)
	<u>(1,317)</u>	<u>(479)</u>

12 Trade and other receivables

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Amounts falling due within one year:				
Other trade receivables	336	286	435	386
Prepayments and accrued income	412	412	304	304
	<u>748</u>	<u>698</u>	<u>739</u>	<u>690</u>

13 Creditors : amounts falling due within one year

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Unsecured loans	241	241	231	231
Obligations under finance leases	196	196	33	33
Creditors	1,243	1,239	1,422	1,421
Social security and other taxation payable	120	120	112	112
Accruals and deferred income	543	543	390	390
	<u>2,343</u>	<u>2,339</u>	<u>2,188</u>	<u>2,187</u>

14 Creditors : amounts falling due after more than one year

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Deferred income	961	961	1,034	1,034
Deferred creditor (RGF)	-	-	38	38
Obligations under finance leases	701	701	-	-
Unsecured loans	3,258	3,258	3,503	3,503
	<u>4,920</u>	<u>4,920</u>	<u>4,575</u>	<u>4,575</u>

Analysis of secured and unsecured loans:

Due within one year or on demand (Note 13)	241	241	231	231
Due between one and two years	249	249	239	239
Due between two and five years	747	747	767	767
Due in five years or more	2,262	2,262	2,497	2,497
Due after more than one year	<u>3,258</u>	<u>3,258</u>	<u>3,503</u>	<u>3,503</u>
Total secured and unsecured loans	<u>3,499</u>	<u>3,499</u>	<u>3,734</u>	<u>3,734</u>

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 2016	(63)	(786)	(9,400)	(10,249)
Utilised in year	20	57	1,336	1,413
Interest Charge	(1)	(27)	(738)	(766)
Actuarial gain		14	2,200	2,214
At 31 July 2017	<u>(44)</u>	<u>(742)</u>	<u>(6,602)</u>	<u>(7,388)</u>

Pension enhancement

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

Discount rate	3.5%
Inflation	<u>1.7%</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.

Notes to the Accounts (continued)

Year Ended 31 July 2017

16 Endowment reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2017 Total	2016 Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2017				
Capital	14,657	4,428	19,085	17,049
Accumulated income	157	102	259	1,163
	<u>14,814</u>	<u>4,530</u>	<u>19,344</u>	<u>18,212</u>
New endowments	501	994	1,495	1,511
Investment income	2	783	785	661
Expenditure	(82)	(1,948)	(2,030)	(1,565)
Increase in market value of investments	698	976	1,674	525
Total endowment comprehensive income for the year	<u>1,119</u>	<u>805</u>	<u>1,924</u>	<u>1,132</u>
At 31 July 2017	<u>15,933</u>	<u>5,335</u>	<u>21,268</u>	<u>19,344</u>
Represented by:				
Capital	15,856	6,398	22,254	19,085
Accumulated income	77	(1,063)	(986)	259
	<u>15,933</u>	<u>5,335</u>	<u>21,268</u>	<u>19,344</u>
Analysis by type of purpose:				
Scholarships and bursaries			17,182	15,241
General			4,089	4,103
			<u>21,268</u>	<u>19,344</u>
Analysis by asset:				
Current and non-current asset investments			19,690	16,818
Cash & cash equivalents			1,578	2,526
			<u>21,268</u>	<u>19,344</u>

Deficit balances

The accumulated income relating to the following permanent endowments is currently in deficit. In both cases income to cover these deficits is expected to be received by 31 July 2018

Balances at 31 July 2016:	Capital	Income
	£	£
AHRC	-	3,180
Jellis	-	25,550
	<u>-</u>	<u>28,730</u>

17 Restricted reserves

Reserves with restrictions are as follows:

	2017 Total £'000	2016 Total £'000
Balances at 1 August 2016	57	32
New donations	302	122
Expenditure	(26)	(97)
Total restricted comprehensive income for the year	276	25
At 31 July 2017	333	57

	2017 Total £'000	2016 Total £'000
Analysis of other restricted funds /donations by type of purpose:		
Scholarships and bursaries	12	29
General	321	28
	333	57

18 Investments

	2017 Total £'000	2016 Total £'000
At 1 August 2016	1,259	1,202
Gains in market value of investments	145	57
At 31 July 2017	1,404	1,259

19 Cash and cash equivalents

	At 1st August 2016 £'000	Cash Flows £'000	At 31st July 2017 £'000
Consolidated			
Cash and cash equivalents - Unrestricted	4,059	1,684	5,743
Cash and cash equivalents - Restricted	57	280	337
	4,116	1,964	6,080

Notes to the Accounts (continued)

Year Ended 31 July 2017

20 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017

	31 July 2017		31 July 2016	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Commitments contracted for	94	94	85	85
	<u>94</u>	<u>94</u>	<u>85</u>	<u>85</u>

21 Lease obligations

Total rentals payable under operating leases:

	31 July 2017		Total £'000
	Pianos £'000	Other leases £'000	
Payable during the year	250	10	260
Future minimum lease payments due:			
Not later than 1 year	262	-	262
Later than 1 year and not later than 5 years	393	-	393
Later than 5 years			-
Total lease payments due	<u>655</u>	<u>0</u>	<u>655</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 2017	
	Fixtures & Fittings £'000	Total £'000
Payable during the year	134	134
Future minimum lease payments due:		
Not later than 1 year	222	222
Later than 1 year and not later than 5 years	666	666
Later than 5 years	129	129
Total lease payments due	<u>1,017</u>	<u>1,017</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 27 November 2017 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 2017 was £827,975 of which employers contributions totalled £557,374 and employees contributions totalled £270,601. An appropriate SSAP 24 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 triennial actuarial valuation of the scheme was 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.

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

Notes to the Accounts (continued)

Year Ended 31 July 2017

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. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers have been produced for the using the following assumptions:

	2017	2016
Discount rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.41%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality 98% of S1NA ["light"] YoB tables – No age rating

Female members' mortality 99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

Existing benefits	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

The total pension contributions for the College was £42,717 of which employers contributions totalled £29,573 and employees contributions totalled £13,144. The contribution rate payable by the College was 18% of pensionable salaries.

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 2016 was £941,121 of which employers contributions totalled £692,840 and employees contributions totalled £248,281. The agreed contribution rate was 18.9% of pensionable salaries.

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.

	Monday, 31 July 17	Sunday, 31 July 16
Inflation	2.50%	1.90%
Rate of increase in salaries	3.30%	3.20%
Discount rate for liabilities	2.70%	2.40%

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 16 is shown below :

	Value at Monday, 31 July 17 £'000		Value at Sunday, 31 July 16 £'000	
Equities	72.0%	15,536	73.0%	13,836
Bonds	16.0%	3,452	17.0%	3,222
Property	6.0%	1,295	5.0%	948
Cash	6.0%	1,295	5.0%	948
		<u>21,578</u>		<u>18,954</u>

	Year Ended July 2017 £'000	Year Ended July 2016 £'000
College's estimated asset share	24,025	21,110
Present value of scheme liabilities	(30,450)	(30,321)
Present value of unfunded liabilities	<u>(177)</u>	<u>(189)</u>

Deficit in the Scheme (6,602) (9,400)

	Year Ended July 2017 £'000	Year Ended July 2016 £'000
--	----------------------------------	----------------------------------

Analysis of the amount charged in the income and expenditure account

Current service cost	968	852
Past service cost	-	-
Curtailement and settlements	-	-
Total operating charge	<u>968</u>	<u>852</u>

Analysis of net interest on pension scheme

Expected return on pension scheme assets	509	677
Interest on pension scheme liabilities	<u>(738)</u>	<u>(954)</u>
Net interest	<u>(229)</u>	<u>(277)</u>

Amount recognised in the statement of comprehensive income

Actuarial gain / (losses) on pension scheme assets	2,200	1,574
Experience gains and losses arising on the scheme liabilities	2,585	314
Change in financial and demographic assumptions underlying the scheme liabilities	<u>(1,441)</u>	<u>(3,205)</u>
Actuarial gain / (loss)	<u>3,344</u>	<u>(1,317)</u>

Movement in deficit during the year

(Deficit) in scheme at 1 August 16 (9,400) (7,623)

Movement in year:

Current service charge	(968)	(852)
Contributions	640	657
Contributions in respect of unfunded benefits	11	12
Past service costs	-	-
Impact of settlements and curtailments	-	-
Net interest / return on assets	(229)	(277)
Actuarial gain / (loss)	<u>3,344</u>	<u>(1,317)</u>

Deficit in scheme at 31 July 17 (6,602) (9,400)

Notes to the Accounts (continued)

Year Ended 31 July 2017

23 Pension schemes (continued)

History of experience gains and losses	Year Ended July 2017 £'000	Year Ended July 2016 £'000	Year Ended July 2015 £'000	Year Ended July 2014 £'000	Year Ended July 2013 £'000
Difference between the expected and actual return on assets	2200	1574	181	15	2079
Value of assets	24025	21110	18730	17483	16363
% of scheme assets	9.2%	7.50%	0.97%	0.09%	12.71%
Experience gains / (losses)					
on liabilities	2585	314	172	-700	-2
Present value of liabilities	30627	30510	26353	23663	20179
% of scheme liabilities	8.44%	1.03%	0.65%	-2.96%	-0.01%
Amount recognised in the statement of comprehensive income					
	3344	-1317	-1365	-2255	1761
Present value of liabilities	30627	30510	26353	23663	20179
% of scheme liabilities	10.92%	-4.32%	-5.18%	-9.53%	8.73%

Changes to the fund permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently the valuation of the retirement benefit liabilities as at 31 July 2006 does not include any allowance for this change to the pension scheme.

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

Pension charge (see note 7)	2017 £	2016 £	2015 £	2014 £
TPS ERS cash contributions	557,374	487,849	373,465	358,051
USS ERS cash contributions	29,573	25,053	25,221	32,609
GMPPF charged to I&E	692,841	657,217	572,842	516,075
Enhanced pension charge (note 14)	27,266	27,935	32,995	34,772
Net adjustment relating to retirement benefits	317,000	183,000	149,000	128,000
	<u>1,624,054</u>	<u>1,381,054</u>	<u>1,153,523</u>	<u>1,069,507</u>

An amount of £/40,454 (2016 £/84,902) is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the College of enhanced pension entitlements over the estimated life expectancy of each relevant retired employee.

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 2017:	Approximate % increase to	Approximate monetary
0.5% decrease in Real Discount Rate	11%	3382
0.5% increase in the Salary Increase Rate	2%	527
0.5% increase in the Pension Increase Rate	9%	2804

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 2017 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).

Please note the above figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

For further details on the method and assumptions used please refer to the accompanying report 'Actuarial Valuation as at 31 July 2017 for Accounting Purposes'.

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

24 Accounting estimates and judgements

The accounts have been produced in accordance with the Statement of Recommended Practice (SORP): Accounting for further and Higher Education (2015). The reader's attention is drawn to the accounting policy notes and in particular income recognition.

The following accounting judgements are considered critical in applying the College's accounting policies:

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, Mercer, 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.

Notes to the Accounts (continued)

Year Ended 31 July 2017

25 Connected charitable institutions

A number of charitable institutions are administered by the College and have been established for its general or special purposes. All 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 total funds of all connected institutions, as reported in their own accounts, were as follows:

	RNCM Awards Fund	RNCM Endowment Fund
Income	2,163,262	2,233,245
Expenditure	1,490,184	589,601
Surplus for the year	<u>673,078</u>	<u>1,643,644</u>
Assets	17,195,625	13,808,210
Liabilities	16,469	117,925
Net	<u>17,179,156</u>	<u>13,690,285</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.

26 Financial instruments

	Consolidated 31-Jul-17 £'000	College 31-Jul-17 £'000	Consolidated 31-Jul-16 £'000	College 31-Jul-16 £'000
<u>Financial assets</u>				
Investments held at fair value	20,940	-	18,077	-
Trade and other receivables at cost	748	698	739	690
Cash and cash equivalents	6,080	205	4,116	316
Total financial assets	27,768	903	22,932	1,006
<u>Financial liabilities</u>				
Trade payables at cost	348	348	539	539
Loans at cost	3,499	3,499	3,734	3,734
Obligations under finance leases	897	897	33	33
Total financial liabilities	4,744	4,744	4,306	4,306

RNCM
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