

# RNCM Financial Statements

A full-page photograph of a male violinist in a dark suit, playing a violin. He is positioned on the right side of the frame, facing left. The background is a concert hall with blue stage lighting and a bright light source on the left creating a lens flare. The overall mood is artistic and professional.

2019/20

RNCM  
ROYAL NORTHERN  
COLLEGE of MUSIC

## Contents

3	The Patron, The President and The Governors
4	Officers and Professional Advisers
5	Welcome from the Chair and Principal
7	Operating and Financial Review
17	Corporate Governance Statement
21	Responsibilities of the Board of Governors
22	Report of the Independent Auditor to the Board of Governors
24	Statement of Principal Accounting Policies
29	Consolidated and College Statement of Comprehensive Income
30	Consolidated and College Statement of Changes in Reserves
31	Consolidated and College Statement of Financial Position
32	Consolidated Cash Flow Statement
33	Notes to the accounts

## THE Patron, The President, and Board of Governors

### PATRON

HER MAJESTY THE QUEEN

### PRESIDENT

SIR JOHN TOMLINSON CBE

### GOVERNORS

Nick Prettejohn (*Chair*)<sup>1,3,4,5</sup>

Carolyn Baxendale<sup>2,3</sup>

Chris Cox<sup>4</sup>

Professor Lynne Dawson<sup>4,6</sup>

Amy Ellison<sup>2</sup> (Until 31 January 2020)

Mike Emmerich<sup>1,4</sup> (Until 31 December 2019)

Felicity Goodey<sup>3</sup>

Michael Harper<sup>6</sup> (From 1 January 2020)

Dr Chris Haslam<sup>2</sup>

Sir Alan Langlands

Sir Richard Leese (from 1 January 2020)

Audrey Lawrence-Mattis<sup>6</sup> (Until 31 December 2019)

Hazel Province<sup>4,5</sup>

Sam Rigby<sup>1,5</sup>

David Roper (Deputy Chair)<sup>2,3</sup>

John Summers<sup>1</sup>

Colin Walkin<sup>1</sup>

Nick Ware<sup>2,7</sup>

The Principal (Professor Linda Merrick)<sup>1,4,5</sup>

The President of the Students' Union (*Alice Flannery*)

### 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 2019-20, no cause for concern has been identified.

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **CHAIR OF THE BOARD**

Nicholas Prettejohn

### **DEPUTY CHAIR OF THE BOARD**

David Roper, MA, FCA

### **PRINCIPAL**

Professor Linda Merrick GRSM(Hons), MMus, PhD, FRAM, FRCM, FRNCM, FLCM, FRSA, HonVCM, FHEA

### **CLERK TO THE BOARD**

Dr Dawn Edwards BSc(Hons), PhD, PFHEA

### **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**

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

### **ADDRESS**

124 Oxford Road  
Manchester M13 9RD

# RNCM Financial Statements

## 2019/20

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

As we reflect on 2019/20 and the incredible things we have achieved both in the UK and overseas, it is all too apparent that the world we live in today, especially as musicians, is exceptionally different.

The RNCM is one of the world's most outstanding and forward-thinking conservatoires and over the past six months, as we continue to adapt to a truly alternative way of life, this statement has never been clearer.

Since lockdown began in March 2020 and we closed our building to staff, students and the public, we have invested heavily in the high specification tools and infrastructure to enable us to provide high quality and innovative teaching online. Moving to remote teaching and learning was an unprecedented challenge for all of us, but the measures we put in place and the developments we continue to make as we move through a blended academic year, means that we can deliver the key components of our degree programmes without compromise.

Many of the innovative solutions put in place to enable blended and remote teaching, in addition to a fantastic live-streamed performance programme, have significantly improved the College's digital capabilities. Embedding this work within our uniquely progressive and industry-relevant offer will enable us to seize the opportunities ahead to remain at the forefront of conservatoire education and training nationally and internationally, continuing to attract the world's most talented and entrepreneurial young musicians to study with us.

It goes without saying that we all miss live performance; the role that live music plays in fostering connections and healing the soul in troubled times is undeniable. However, while our venues remain closed to audiences, we are now in the enviable position of being able to create live music together – through concerts, masterclasses and student-led projects, and stream it to homes all over the world. Opportunities like these, alongside the exceptional training we are proud to offer, is just one of the reasons why young musicians from all over the world choose to study with us each year and we remain tremendously proud of the incredible things they achieve, both on and off stage.

In an ever more competitive global market, enhanced by the uncertainty surrounding Covid-19 and our exit from the European Union, student recruitment is strong, as is our worldwide reputation as a leading voice in music education and a hub for artistic innovation and creativity. Targeted interventions through our Learning and Participation department, RNCM Young Projects and RNCM Pathfinder, in addition to Junior RNCM and curriculum-based student placements, enable us to reach children, young people, families, the vulnerable and the elderly on a significant scale, while our artistic programme continues to offer a huge range of events and performances to public audiences all year round, many of which are free to attend.

Our relationship with a number of our professional and educational partners deepened throughout 2019/20, and we were pleased to welcome a new connection with the Abbey Road Institute in London. We also had considerable funding success during this financial year, with PRiSM (the RNCM's Centre for Practice & Research in Science & Music) receiving over £900,000 from Research England's Expanding Excellence in England Fund (E3) and our Archives gaining more than £60,000 from the National Lottery Heritage Fund.

Travel restrictions may have halted our RNCM String Ensemble's trip to Wycombe Abbey International School in Changzhou earlier in the year, but 2019/20 did see successful tours of China and the Netherlands for numerous RNCM students, as well as our annual orchestral residency in Montepulciano in Italy.

Our commitment to equality and diversity was ever more apparent during 2019/20 as we continued our work with the Students' Union to promote *RNCM Zero*, a collaborative campaign promoting a zero-tolerance culture regarding sexual harassment and bullying at the College. We also expressed our aspiration to improve BAME representation across the College, working closely with our EDI Committee and BAME Students' Union group.

At the end of the financial year, the RNCM group's total reserves totalled £42.8m, cash equivalents totalled £8.6m, and operating deficit for the year before other gains and losses was £933k, indicating a good result in light of the significant impact Covid-19 had between March and July. However, the challenging and uncertain external climate means that we cannot be complacent. As our 2015-2020 Strategic Plan draws to a close and we launch our new 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.

Finally, we would like to thank our staff and students for their incredible work through what has been a challenging year for all of us.

A handwritten signature in black ink, appearing to read 'N. Prettejohn', with a stylized, flowing script.

**Nicholas Prettejohn** *Chair of the Board*

A handwritten signature in black ink, appearing to read 'L. Merrick', with a stylized, flowing script.

**Professor Linda Merrick** *Principal*



*RNCM students perform Mr Blue Sky as part of an online cross-school collaboration*

### **Exceptional value and unrivalled opportunities**

The RNCM is a small, specialist institution training talented musicians from all over the world for diverse and fulfilled careers in music.

From Junior RNCM through to undergraduate and postgraduate study, we provide exceptional opportunities for all students to develop and enhance the skills needed to meet the demands of an ever-changing industry.

This often means a combination of performing, composing, arranging, teaching, participation / community work and arts administration, all of which are catered for via our programmes of study. A whole strand of our undergraduate offer is dedicated to artist development, which teaches students how to market and promote themselves, develop and deliver independent projects and manage their finances. Additionally, all students are required to undertake an industry placement during their time with us; this can be anything from learning and participation to marketing and fundraising, anywhere in the world, including Europe, China and the USA.

We are proud that our students have many opportunities to tour overseas during their course; working alongside musicians from many different countries is highly valued by them. Although restrictions around Covid-19 meant that some trips at the beginning of 2020 were postponed and that travel throughout the 2020/21 academic year remains uncertain, many musicians experienced exceptional professional development throughout 2019/20. For example, in July 2019 over 75 students took part in the 44th Cantiere Internazionale d'Arte in Montepulciano, Italy, performing orchestral, chamber and vocal concerts with professional soloists, ensembles and conductors. Adding to this, the year also brought successful tours of China for our Big Band and Percussion Ensemble, New Year's Eve concerts at Amsterdam's Concertgebouw for three students joining the Netherlands Wind Ensemble, performances in The Hague for 10 brass players working on a staged performance of Karlheinz Stockhausen's *aus Licht* with Holland Festival, Dutch National Opera, the Royal Conservatoire The Hague and Stockhausen Foundation for Music and a tour of Norway for our Chamber Choir incorporating concerts with the Edvard Grieg Kor and Bergen Philharmonic.

Most travel costs are paid by the College, with generous support from our patrons, meaning that students can benefit from worldwide performance and professional experiences without additional financial burden.

We also provide £1.8m in scholarships, bursaries and prizes each year to assist high performing students and those in need of additional financial support, and we ensure funding for the RNCM Students' Union, enabling them to represent and enhance the needs of our students each year.

Based in one location on Oxford Road and with a Hall of Residence right next door, we pride ourselves on providing a welcoming and supportive environment for everyone in our community. Our dedicated professional services teams ensure that students have access to the right facilities and support during their studies, including technical equipment and IT infrastructure, a dedicated specialist library, performance and practice spaces, catering and

portage, and health and wellbeing. Students also benefit from our close links to the city's other universities and professional organisations, all of which add further value to their overall experience and academic provision.

### **Innovative teaching and world-leading research**

The RNCM received the highest Gold status in the most recent Teaching Excellence Framework, complementing our position as the UK's leading music college for research following the 2014 Research Excellence Framework. We are also the recipient of two successive Times Higher Education Awards (Excellence and Innovation in the Arts and Outstanding International Student Strategy) and a Global Teaching Excellence Spotlight Award, highlighting our dedication to providing an outstanding education that propels our students into careers as inspiring and versatile musicians, fully-equipped for exciting futures both on and off stage.

Our Research department had another successful year, with five students awarded PhDs and the launch of our Centre for Music and Conflict (CMC). This new project explores the various roles that music and the arts play in reflecting, representing, commenting and commemorating conflict, with participation from writers, cultural and economic historians and literary theorists, ethnomusicologists, music education experts and psychologists.

The year also introduced the first research into involuntary musical imagery earworms in live music. Led by Dr Michelle Philips, Associate Head of Undergraduate Studies, and Dr Ioanna Filippidi, an AHRC Creative Economies Engagement Fellow, the project was presented in collaboration with external partners, including The Bridgewater Hall and Museum of Science and Industry, and used bespoke software and smartphone applications to collect data from audience members attending a range of concerts.

PRiSM, our Centre for Practice & Research in Science & Music, continues to go from strength to strength. In June 2019, we were awarded £914,000 (commencing 2021) from Research England's Expanding Excellence in England Fund (E3) to support this ground-breaking interdisciplinary scheme, enabling us to strategically develop it further, through additional staff, new partnerships, and the expansion of existing collaborations. Our Archives also had reason to celebrate as a project dedicated to the 100th anniversary of the Northern School of Music, one of our founding institutions, received over £60,000 from the National Lottery Heritage Fund, and we were thrilled that RNCM Ensemble +, in partnership with R&W Venue Technologies, were nominated for an AV Award. Established over 21 years ago, the AV Awards are a benchmark for the highest possible professional standards and best practice, acknowledging the outstanding achievements of individuals, companies, projects and technology across the AV, events and production sectors.

Since lockdown began at the end of this financial year, we have built on our use of Zoom and have fitted out a number of Zoom Rooms to ensure that we can successfully deliver a blended approach to teaching and learning at the start of the 2020/21 academic year. We have also upgraded our capture and streaming facilities within our venues and studios, and formed a new partnership with Nkoda, providing access to a whole range of digital scores via phone, tablet or desktop.

### **Charitable Status and Public Benefit**

The RNCM is an independent organisation, 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. Its public benefit reaches into communities through the availability of free concerts, RNCM Engage, which brings music to new audiences, the accessibility of a world-class instrument collection and through enabling other organisations to hire the facilities in order to give performances and stage events. The College confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the aims and objectives and in planning future activities.

### **Widening Participation and Access**

The specialised training we offer means that securing a place at the RNCM is highly competitive. Each year hundreds of exceptionally gifted applicants audition to join our award-winning community, their individual ambitions underpinned by a shared passion for music. However, such standards can only be achieved through access to high-quality musical training and education from a very young age, many years before contemplating conservatoire study.

Acknowledging the great benefit and value of a diverse student body in all respects, we are committed to removing barriers to music education. Through our nationally-recognised community programme of accessible events and student placements, we reach thousands of children and young people across our local communities each year. Last year, we were proud to report that RNCM Pathfinder was shortlisted for its second Times Higher Education Award. Founded in 2017, the ground-breaking scheme enables disadvantaged young people aged 10 - 16 (including those with disabilities, carers, looked-after young people, those attending a Pupil Referral Unit and those from areas of multiple deprivation) to overcome financial, social and cultural barriers and progress their musical talent and aspirations, and our instrument-themed series of Young Projects and Summer Schools deliver first-class tuition to more than 200 pre-tertiary young musicians, either at minimal cost or free of charge, annually.



Junior RNCM also forms a critical part of our widening participation strategy, drawing some 200 talented music students aged 8 - 18 to the College every Saturday from across the North of England and beyond. Most 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 Junior RNCM to develop their musical potential. The destinations of Junior RNCM students are exceptional, with the majority securing places at top conservatoires and universities in the UK and overseas.

In addition to our work with children and young people, our extensive public benefit includes student placements in hospitals and care homes, the accessibility of a world-class instrument collection, free lunchtime concerts and research forums, concessional ticket prices for under-18s, over-60s and claimants (in receipt of JSA and ESA), and the option for external organisations to hire our venues and spaces for performances, conferences and events.



*RNCM Pathfinder*

### **The Whole Musician**

The RNCM is recognised internationally as one of the most exciting and forward-thinking conservatoires in the world. For almost 50 years we have been paving the way in our sector, never afraid to embrace change, take risks and develop new initiatives that our competitors strive to emulate. As the music industry continues to evolve, we understand that it is no longer enough for our students to be excellent performers or composers. Now, more than ever, they need to be multi-skilled entrepreneurs, fully-equipped for successful, sustainable and satisfying careers.

This is why we are dedicated to providing a world-class education, complemented by exceptional real-world experiences and embedded in an environment where students' health and wellbeing remains a priority. Whether they are following a classical route or pursuing popular music, we want all our students to form independent and creative minds, with the confidence, ability and flexibility to develop as whole musicians.

The incredible and wide-ranging achievements of our alumni are testament to the personal and professional development we provide to all our students at the RNCM.

### **Exceptional Experiences**

Despite the continuing restrictions surrounding Covid-19, performance remains an essential part of conservatoire training and is one of the most exciting and fulfilling aspects of studying at the RNCM.

Supported by our artistic programme, opportunities throughout 2019/20 included everything from large orchestral projects and cross-school collaborations to full-scale opera productions, intimate chamber concerts and solo recitals. International guest conductors, composers and musicians worked with students via masterclasses and workshops, and we continued to provide numerous opportunities for students to create and develop their own projects as part of our Spotlight series of pre- and post-concert events, Monday Recitals and RNCM Lab Week, dedicated entirely to student creativity.

Our unrivalled performance opportunities meant that experiences were not limited to the RNCM. With the support of our Professional Engagements team, which coordinates over 350 paid external performances every year, many

students headed out on the road during 2019/20, presenting events in venues across the UK and taking part in exciting collaborations with professional organisations.

When our building closed in March 2020, we worked hard to ensure that we could successfully deliver the key components of our programmes online, without compromise. We also actively sought creative and innovative ways to deliver the practical ensemble training that sits formally outside the core curriculum but is nevertheless an important part of the overall student experience. As we move to the 2020/21 academic year, the investments we have made in technology and infrastructure mean that while our venues remain closed to the public, we can deliver a high specification online broadcasting season, livestreamed from our Concert Hall. This significant development will see exciting collaborations with staff, students and visiting artists, inspirational masterclasses and Q&As with international musicians, and student-led projects. We hope, with the easing of local and national lockdowns, to bring audiences back to our venues in 2021, as soon as it is safe to do so.



*RNCM Opera present Poulenc's Dialogues des Carmélites*

### **Professional Partnerships**

The partnerships we have forged with professional organisations and educational institutions worldwide are central to our Strategic Plan and to the delivery of a stimulating and innovative real-world experience for RNCM students, through placements and performing opportunities.

Key regional and national partners include ABRSM (the world's leading music examination board), the BBC Philharmonic, Brighter Sound (a community popular music provider), Central Manchester University Hospitals Trust, Chetham's School of Music, the Hallé, Manchester Camerata, Manchester and Greater Manchester Music Education Hubs, Manchester Metropolitan University, Nordoff-Robbins (one of the world's leading music therapy organisations), Northern Ballet, Opera North, the University of Manchester and the Royal Liverpool Philharmonic. We have recently created new partnerships with Manchester Collective and Royal Northern Sinfonia. Through Ensemble+, a £2 million collaborative digital network supported by the Office for Students (formerly HEFCE) and the Garfield Weston Foundation, we also work with the Universities of Leeds, Liverpool, Newcastle, Nottingham, Sheffield and York, alongside BBC North and Spirit Studios (formerly School of Sound Recording (SSR)).

In July 2019 we added to this further, announcing an exciting new partnership with the Abbey Road Institute, providing students on our Popular Music programme with opportunities to work with those studying on the Institutes Advanced Diploma in Music, Production and Sound Engineering course, in addition to receiving advice and guidance from industry experts.

Internationally, we are proud to have established exciting institutional partnerships with leading conservatoires, professional groups and universities, including Peking University Academy of Opera, Zhejiang Conservatory of Music, Thornton School of Music at the University of Southern California, European Chamber Orchestra, Mahler



Chamber Orchestra, Metropole Orkest, Netherlands Winds and the Western Australian Academy of Performing Arts based at Edith Cowan University, Perth, Australia. The RNCM 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, we were delighted to welcome staff and students from the China Central Conservatory of Music as part of an official tour of Manchester in June 2019. Led by Professor Ye Xiangang, President of the Chinese Musicians Association and a Professor in Composition at the Central Conservatory, the visitors presented a concert to RNCM students, spent time with Professor Linda Merrick (Principal), Manus Carey (Director of Performance and Programmes), David Roper (member of the Board of Governors) and Le Yu (Deputy Director of Percussion), and undertook a tour of the facilities before continuing their trip at Chetham's School of Music. Later in the year, we welcomed guests a little closer to home as brass students from the Norwegian Academy of Music (NMH) joined us in November for three days of classes, masterclasses and rehearsals alongside RNCM musicians, before performing a joint concert in the Concert Hall.



*RNCM Professional Experience Scheme: Opera North*

## Financial Performance in 2019/20

### Financial Strategy

The existing Financial Strategy seeks to enable the generation of adequate resources to ensure successful teaching, performance and operations of the RNCM for the long term, providing sustainable services and value for students, staff and stakeholders. Its key objectives are to:

- Generate sufficient operating cash to enable investment in strategic priorities
- Encourage strong philanthropic support as an additional enabling income stream
- Maintain controlled borrowing limits within acceptable tolerances and risk appetite
- Grow and diversify income and contribution from non-publically funded sources
- Optimise efficiency through resource planning, technology and process review

Finance Key Performance Indicators (KPIs) for delivery by 2022/23 are in place to monitor progress against the Strategy and these are summarised in the following table:

DESCRIPTION	TARGET BY 2022/23	2018/19	2019/20
Operating Cash as % of Consolidated Income	5%	4.7%	2.7%
Philanthropy Income as % of Consolidated income	10%	9.8%	9.1%
Borrowing as % of Consolidated Income	Less than 20%	12.5%	12.2%
Income from non-public sources	60%	59.7%	57.5%
Net Liquidity Days-unrestricted cash	Greater than 90 days	121	103

Performance against the targets has generally worsened as a result of the financial impact of the Covid-19 pandemic. Operating cash generation has been impacted by the physical closure of the building to the public from March which has also reduced income from non-public sources. Although philanthropic income reduced as a proportion of consolidated income the previous year benefited from a large legacy that was not replicated in 2019/20. Borrowing is reduced through planned annual repayment of outstanding loans.

Alongside the new Strategic Plan 2020-2025 an updated Financial Sustainability Strategy will also be rolled out. This will target increased operating cash generation and an ambitious plan to increase philanthropy income to ensure the College is financially sustainable into the future.

### Financial Review of 2019/20

The overall underlying financial performance of the RNCM (including the consolidated results of the RNCM Awards and Endowment Funds) continues to deliver resilience in the face of the material risks and uncertainties faced by the HE sector. Our financial results do, however, reflect the initial impact of the Covid-19 pandemic on both our income and expenditure.

Positives for the year were that liquidity remains strong, tuition fee income has shown healthy growth as a result of achievement of student recruitment targets, and research grants and contracts saw year on year growth.

The Covid-19 pandemic has impacted the 2019/20 financial results in two main ways. Firstly, no donation was received from the Associated Board of the Royal Schools of Music (ABRSM) due to the impact of the pandemic on their operations. In the 2018/19 financial year this totalled £1.4m. Secondly, the closure of the college building impacted our ability to generate trading income through catering, conferencing and box office ticket sales which resulted in a reduction in Other Income. This is to some extent offset by receipts from the Coronavirus Job Retention Scheme (CJRS).

Looking ahead to financial year 2020/21 and beyond, the pandemic continues to present material risks to the College around its operations and finances. Whilst student recruitment has remained strong and the blended teaching offer to these students is sector-leading and safe, there remains the risk of further restrictions and interruption until the pandemic is over. Forecasting and scenario planning has been undertaken to model the financial impact over the coming years. The outcome of which is that whilst there will be some utilisation of unrestricted funds in the coming years, the College remains a going concern and these accounts are prepared as such.

A summary of consolidated income and expenditure and balance sheet is set out in the following tables:

### Consolidated Statement of Comprehensive Income and Expenditure

#### Key Highlights

- Total income of £22.6m
- Reduction in income of 6.6%
- Operating deficit of £933k
- Endowment assets, restricted assets and other Investments of £21.8m
- Cash and cash equivalents of £8.6m, of which £6.1m is unrestricted

RESULTS FOR THE YEAR	2019/20 £'000	2018/19 £'000	CHANGE £'000
Income	22,572	24,181	(1,609)
Expenditure	23,505	23,338	167
Operating Surplus before other gains and losses	(933)	843	(1,776)
Gain/(Loss) on Investments/fixed assets	(181)	(106)	(75)
Surplus for the year	(1,111)	737	(1,848)
Actuarial gain/(loss) in respect of pension schemes	(4,750)	(2,890)	(1,860)
Total comprehensive income for the year	(5,861)	(2,153)	(3,708)

#### Income: Reduction

Tuition fee income grew by £0.8m (7.3%) in the year to £11.9m, reflecting strong student recruitment, and achievement of growth targets in respect of postgraduate and overseas student intake.

The small reduction in funding body grants was anticipated, and reflects the known tapering down of specific capital grants for the Ensemble + initiative. Recurrent grants from the Office for Students (OfS) decreased slightly by £99k.

RNCM investment in Research has also seen a welcome increase in Research grant and contract income, from £343k in 2018/19 to £495k in 2019/20.

Investment income increased by £26k (2.6%) year on year to £1,018k in total; reflecting some increases in the level of endowment and cash funds and a positive return on investments.

Donation and Endowments Income decreased by £1,723k (46.1%) to £2m in total, primarily because of the lack of a donation from ABRSM in the year (£1.4m in 2018/19) although a large legacy received in 2018/19 means other donations and endowment income is also down year-on-year by £0.3m.

Other income reduced by £403k (16.9%) due to the impact of closing the College building to students and the public from March limiting catering, conferencing and performance programme activities.

#### **Expenditure: Year-on year growth of £0.2m (0.7%)**

Staff costs increased by £443k (some 3.3%) year on year to £13.8m in total. Pension provisions movements charged to Staff Costs actually reduced in year by £208k. The growth in staff costs excluding pension provisions was £651k, some 5.3% year on year, reflecting cost of nationally agreed pay settlements, scale point increment growth where staff are not at the top of grade and some modest targeted staff recruitment to support growth in activity.

Other operating costs reduced by 6.6% year on year to £7.6m, reflecting reduced costs of operating the building, reduced travel and reduced costs directly linked to reduced income streams such as catering and the performance programme.

Although capital expenditure reduced by £0.7m year on year to £1.7m, the capital expenditure incurred did result in an increase in depreciation to £1.7m compared to £1.55m in 2018/19. Capital projects in the year included:

- Central hub technology and equipment for the Ensemble + initiative
- Musical Instrument purchases
- Opera Theatre estates works

#### **Consolidated Balance Sheet**

BALANCES AT THE YEAR END	2019/20 £'000	2018/19 £'000	CHANGE £'000
Non-current assets	54,071	54,329	(258)
Cash and cash equivalents	8,631	9,355	(724)
Net current assets	7,760	7,817	(57)
Borrowings	(2,755)	(3,011)	(256)
Pension provisions	(15,443)	(9,582)	(5,861)
Total reserves	42,828	48,687	(5,859)

#### **Decrease in non-current assets of £0.3m (0.5%)**

Reflecting a small decrease in the market value of investments.

#### **Decrease in longer term creditors of £0.2m (5.5%)**

External borrowing on bank loans and obligations on finance leases has reduced year on year, primarily as a result of scheduled capital and lease repayments.

#### **Increase in pension provisions of £5.9m**

The year on year adverse movement on pension provisions primarily reflects the latest valuation of the Greater Manchester Pension Fund (GMPF) on a Financial Reporting Standard (FRS) 102 accounting basis as at 31 July 2020. The latest valuation has given rise to a net liability of £14.5m compared to the prior year liability of £8.7m; this is largely a result of changes in financial assumptions in respect of the discount rate applied year on year (1.4% in 2020 compared to 2.1% in 2019). A reduction in that discount rate increases the assessed value of liabilities placed on benefits paid in the future.

The material valuation movement demonstrates the inherent volatility around key financial assumptions used in the FRS 102 accounting valuation estimates as shown by the following actuarial assessed sensitivity analysis:

CHANGE IN ASSUMPTIONS AT 31 JULY 2019	APPROXIMATE % INCREASE TO DEFINED BENEFIT OBLIGATION	APPROXIMATE MONETARY AMOUNT (£000)
0.5% decrease in Real Discount Rate	12%	5,121
0.5% increase in the Salary Increase Rate	1%	564
0.5% increase in the Pension Increase Rate (CPI)	10%	4,451

## Risks

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

## Principal Risks

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

### Covid-19

The highest net risks on the Covid-19 Risk Register are related to the College's ability to deliver principal study tuition (one-on-one musical tuition) and the risk of students contracting Covid-19 through social activities away from College. Mitigations are in place in both areas to reduce the gross risk presented by each. Investment has been made to ensure that in-person tuition can continue in the highest risk areas of vocal, wind and brass tuition. Digital investment has also enabled blended and remote tuition to be of the highest possible calibre. Regarding students contracting Covid-19 through socialising, a new streamlined disciplinary procedure has been implemented alongside a number of communications encouraging responsible behaviour.

At the time of signing the accounts, England was in a second nationwide lockdown highlighting the constantly changing nature of the Covid-19 pandemic. It is recognised that there will be further challenges resulting from this and the Covid-19 Risk Register is regularly reviewed to address these.

### Reputation

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

### Funding and Fees

Until it becomes clear as to what elements of the recommendations of the Government commissioned post-18 education review (the 'Augar' report) might be taken forward, there remains significant uncertainty around future tuition fee levels. Recent reports have suggested that the central tuition fee recommendation to reduce the current UK undergraduate fee to £7,500 per year is not an immediate Government priority. However, given the current level of UK political turmoil, there has to remain some uncertainty and concern as to future Government policy in this area.

Institutional specific funding that is received by the College is a vital additional income stream that enables the College to deliver world class, high quality, music education and teaching. The anticipated review of this funding by The Office for Students has, for now, been postponed. The RNCM will be actively engaged in this process when it does happen, and in providing substantive evidence of the value for money that is derived from this important funding source.

As noted in the Financial Review, the impact of the COVID-19 pandemic on ABRSM has resulted in no donation being paid to the College in 2019/20. The ongoing uncertainty and changing environment around the pandemic means that there is a risk around future payments of this donation.

### Student Recruitment

As reported, student recruitment in 2019/20 was strong and new student applications to the College for the 2020/21 academic year showed no sign of overall decline when compared with previous years, despite the ongoing Covid-19 pandemic and its impact on the way we are able to deliver our teaching safely. This indicates that RNCM remains

in a positive position as it continues to attract students in what is a highly competitive global market. However the College is not complacent as there remain risks in the UK market due to the decline in music education provision

within the curriculum of the pre-tertiary education sector, and in the international recruitment market as a result of on-going Brexit uncertainty and the competitiveness of this market within the education sector both in the UK and globally.



### **Brexit**

The higher education sector is not immune to ongoing uncertainty and challenges surrounding Brexit, and there is no doubt it represents a continuing challenge for the College. However the strength of the College's reputation overseas continues to attract students from all over the world.

The Government announcement during 2018/19 to continue to allow EU students commencing their studies in academic year 2020/21 to be assessed at the UK fee rate and to qualify for student loans was welcome news, although this provides only short term assurance. From 2021 EU students will fall under the International Fee regime and this is clearly a risk with regards to recruitment in these markets.

### **Pensions**

The College offers three defined benefit pension schemes, the Teachers' Pension Scheme (TPS), the Greater Manchester Pension Fund (GMPF) and the Universities Superannuation Scheme (USS). Employer contribution rates into these schemes are defined by the number of current and past participants and by actuarial assessments of the future liabilities of the schemes and these rates can be significant. Pension costs are currently 18% of the total reported staff costs, employer contribution rates in the TPS remain at 23.68%, from 2019/20, and in USS at 21.1%. The results of the 2019 triennial valuation of the GMPF were positive with the reported funding level improving from 93% in 2016 to 102% in 2019. Employer contribution rate for the college is 18.9%. Further reform of these schemes is likely as their long term sustainability is being challenged by market conditions and current scheme structures.

### **Trust Fund Investments**

The College has significant Endowment Assets, Restricted Assets and other Investments of £21.8m reported on its balance sheet arising from the RNCM Awards Fund and RNCM Endowment Fund. These two funds are established as Trusts with RNCM being the sole Trustee of each.

The investment portfolio of each Fund is managed by external investment fund managers Waverton within a risk and return mandate specified by the Governors. Waverton report half-yearly to the Investment Sub-Committee, which is 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. A summary of their respective performance is set out below:

### **Endowment Fund**

Following the appointment of Waverton in March 2013 the Fund adopted a 'balanced' approach, as defined by their guidelines. Over the long term, the objective is to achieve a return of inflation plus 3%, with inflation defined as the UK Consumer Price Index (CPI). The agreed benchmark to measure shorter term performance is a composite of a 'neutral' position of 60% in Global Equities (MSCI AC World Index)

25% Fixed Income (12.5% Markit iBoxx Gilts Index, 12.5% Markit iBoxx £ Corporate Bond Index) and 15% Cash (1 month £ cash deposit).

The portfolio recorded a positive return during the 12 month period to 31 July 2020, rising in value by +3.5% (+4.0% Jellis Portfolio), which is modestly behind its primary objective (CPI+3%) which returned +4.1%. The portfolio outperformed its composite benchmark which returned +3.0%, whilst the performance of the Asset Risk Consultants (ARC) Steady Growth Charity Index peer group was -4.2%. The portfolio achieved these returns despite a sharp decline in equity markets in the first quarter of 2020 in a reaction to the Coronavirus health crisis, which resulted in global equities (MSCI AC World Index) returning 0.0% for the 12-month period. The portfolio also has exposure to bonds and alternative assets, which helped to moderate the volatility of equities. Bond returns were positive, with the Markit iBoxx Gilts index returning +10.0%, whilst the Markit iBoxx £ Corporate Bond index rose by +6.2%.

### **Awards Fund**

Following the appointment of Waverton in March 2013 the Fund adopted a 'balanced' approach, as defined by their guidelines. Over the long term, the objective is to achieve a return of inflation plus 3%, with inflation defined as the UK Consumer Price Index (CPI). The agreed benchmark to measure shorter term performance is a composite of a 'neutral' position of 60% in Global Equities (MSCI AC World Index) 25% Fixed Income (12.5% Markit iBoxx Gilts Index, 12.5% Markit iBoxx £ Corporate Bond Index) and 15% Cash (1 month £ cash deposit).

The portfolio recorded a positive return during the 12 month period to 31 July, rising in value by +3.4%, which is modestly behind its primary objective (CPI+3%) which returned +4.1%. The portfolio outperformed its composite benchmark which returned +3.0%, whilst the performance of the Asset Risk Consultants (ARC) Steady Growth Charity Index peer group was -4.2%. The portfolio achieved these returns despite a sharp decline in equity markets in the first quarter of 2020 in a reaction to the Coronavirus health crisis, which resulted in global equities (MSCI AC World Index) returning 0.0% for the 12 month period. The portfolio also has exposure to bonds and alternative assets, which helped to moderate the volatility of equities. Bond returns were positive, with the Markit iBoxx Gilts index returning +10.0%, whilst the Markit iBoxx £ Corporate Bond index rose by +6.2%

### **Borrowings**

The College has two loan facilities, a fixed term bank loan of £0.2m, subject to base rate interest movements, and a fixed term, fixed rate (5.14%) bank loan of £2.5m.

### **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 derivatives.

### **Credit risk management**

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

### **Liquidity risk management**

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



## 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 as defined by the Charities Act 2011, with the Office for Students (OfS) acting as its Principal Regulator. The Members of the Corporation constitute the Board of Governors ('the Board') of the RNCM, the activities of which the Corporation has been established to conduct, and whose objects, powers and framework of governance are set out in the Articles of Government, the current version of which was approved by the Board in July 2011, and by the Privy Council in October 2011. The Board is also, in relation to the charitable activities of the RNCM, its Trustee Board. Members of the Board are therefore the Trustees of the RNCM, and of its two Trust Funds, each of which is a separate charity registered with the Charity Commission.

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

### **The RNCM's corporate governance framework**

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

### **The Board and its committees**

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

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

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

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

The Audit Committee comprises a Chair, who is an independent member of the Board, at least three other members of the Board and up to two co-opted external members with relevant experience. No member may also be a member of the Finance Committee, hold any executive responsibility for the management of the College, or have significant interests in the College. 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), Office for Students (OfS) or other funding bodies and the new assurance statement relating to the Board's oversight of academic governance arrangements. Whenever appropriate, it will provide explicit confirmation to the Board that necessary actions have been, or are being, taken to remedy any significant failings or weaknesses identified from the review of the effectiveness of internal and financial controls. It also recommends to the Board the annual financial statements for approval, having confirmed compliance with relevant statutory and regulatory provisions.

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

The Committee and the RNCM act in accordance with the principles laid down in the Remuneration Code. In making decisions about the Principal and her Executive Team's remuneration, the Committee follows a set of principles articulated in the College's Framework for the Remuneration of Senior Staff and the Principal; based on guidance issued by the OfS, the Remuneration Code and Higher Education Code of Governance. In doing so it applies a strong, evidence-based approach to its discussions, taking into consideration sustained performance and contribution to the College in the preceding year, retaining and rewarding the best staff possible in order to deliver the best experience and outcomes for the students and society, while taking into account the College's financial position, maintaining the relative value of salaries and the effective use of resources. In agreeing the salary for the Principal, the Committee also gives due regard to the size and complexity of the role, pay ratio data for the College and benchmark data, including data from Universities and Colleges Employer Association's Senior Staff Remuneration Survey and the remuneration of the Principals of the UK conservatoires. The national pay award and pay increases awarded to other staff in the College are taken into account, together with the current value for the College of the pay multiple of the Principal earnings against the median of all staff.

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

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

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

The Board has in place arrangements to conduct, on a periodic basis, comprehensive reviews of the effectiveness of its own working arrangements. This last took place in January 2020, facilitated by an external consultant appointed by the Board and concluded that the RNCM has a high functioning and well-led Board serving a very well-led organisation with an outstanding working relationship between the Board and Executive Team. The next substantive review is scheduled within the 2024/25 academic year.

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



#### **The Principal and the senior managerial arrangements**

The Principal is responsible to the Board for the leadership, organisation, direction and management of the RNCM. Although the ultimate responsibility for what is done in this regard rests with the Board, the Principal exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and the shaping of institutional ethos. The Principal is supported in this by the *Executive Committee*, 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.

#### **Internal control**

The Board has responsibility for maintaining a sound system of internal control that supports the achievement of strategic aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible; this responsibility is conducted in accordance with its Instrument and Articles of Government, and the regulatory requirements of the OfS.

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 July 2018. 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 2020. The Board acknowledges its responsibility for the RNCM's overall system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system is risk-based, and as noted within the Operating and Financial review encompasses strategic, financial, operational and risk management designed to protect the RNCM's assets and reputation.

The College's internal control system is supported by a number of policies and regulations that have been approved by the Board and its committees to help to prevent and detect corruption, fraud, bribery and other irregularities. These include:

- Financial Regulations
- Scheme of Delegation
- Risk Management Policy
- Anti-Bribery and Anti-Fraud Policy
- Ethical Fundraising and Gift Acceptance
- Conflicts of Interest policy

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 most recent Internal Audit annual opinion concluded that based upon the activities and controls in the areas which were examined during 2019/20, that the College's arrangements for governance, internal control, risk management and the promotion of value for money were effective.

The system of internal control as described above has been in place during the year ended 31 July 2020 and up to the date of approval of the financial statements.

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 College.

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.



**Nicholas Prettejohn** *Chair 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 are responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable law and regulations. They are required to prepare group and parent College financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Board of Governors are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent College and of their income and expenditure, gains and losses and changes in reserves for that period.

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

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

The Board of Governors is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

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

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

## **Independent auditor's report to the Board of Governors of the Royal Northern College of Music**

### **Opinion**

We have audited the financial statements of Royal Northern College of Music (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2020 which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Statement of Financial Position, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

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 2020, and of the Group's and the College's comprehensive income and expenditure, gains and losses and changes in reserves, and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

The Board of Governors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Responsibilities of the Board of Governors**

As explained more fully in the *Statement of Board of Governors Responsibilities in Respect of the Annual Report and the Financial Statements* set out on page 21, 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, and for such internal control as the Board of Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Other Required Reporting**

### **Opinion on other matters prescribed in the Office for Students Audit Code of Practice issued under the Further & 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;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- the requirements of the OfS's accounts direction have been met.

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

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

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in the financial statements, has been materially misstated.

## **Use of the audit report**

This report is made solely to the Governing Body as a body in accordance with paragraph 10(1) of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and College and the Governing Body as a body for our audit work, for this report, or for the opinions we have formed.

### **DRA Bott (Senior Statutory Auditor), for and on behalf of Mazars LLP Chartered Accountants and Statutory Auditor**

One St Peter's Square  
Manchester  
M2 3DE

7 December 2020

## Statement of Principal Accounting Policies

### Year ended 31 July 2020

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 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 2020.

### 2. Accounting Estimates and Judgements

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

#### Accounting for retirement benefits

A number of the College's employees are members of the Greater Manchester Local Government Pension Scheme (LGPS).

It is possible to identify the College's share of the assets and liabilities within this scheme, therefore the net defined benefit pension liability is recognised within these accounts. Details of the College's share of the net deficit within the LGPS is shown in note 23. The calculation of this net liability is based upon an estimation by the scheme's actuary, Hymans Robertson, 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. 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.



### **String Instruments**

The College does not depreciate its string instruments. In the College's judgement, based on its knowledge and experience, the residual value of the string instruments is higher than the cost at which they are held in the Balance Sheet. Consequently, regardless of the useful remaining life of the string instruments, there would be no depreciation applied to these assets.

### **Tax Liability Accrual**

Within staff costs there is a tax liability accrual relating to taxable benefits arising from travel and accommodation paid by the College on behalf of Academic staff for four previous financial years. The accrual has been based upon a high level review of the data and further in-depth analysis will be required before submission to HMRC.

### **3. Income Recognition**

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income (CSCI) 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 net of fee waivers and discounts and is 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.

### **4. Realised and Unrealised Gains and Losses**

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

### **5. Grant Funding**

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

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

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

### **6. Accounting for Charitable Donations**

#### **Unrestricted donations**

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

#### **Endowment funds**

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

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

### **7. Pension schemes**

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

Contributions to the TPS are calculated so as to spread the costs of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations, using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions are recognised as they are paid each year.

The USS is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Therefore the College accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The assets of the GMPF are measured using closing market values. GMPF liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

## 8. Leases

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

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

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

## 9. Land and Buildings

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

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

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

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

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

## 10. Equipment

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

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

Plant and machinery	20 - 25 Years
Fixtures and fittings	10 Years

Computer and recording equipment	3 - 5 Years
----------------------------------	-------------

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

## **11. Musical instruments**

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

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

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

Depreciation is not provided on string instruments since the residual value of the string instruments is higher than the cost at which they are held in the Balance Sheet. The carrying value of these assets are subject to an annual impairment review.

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

Depreciation is not provided on string instruments since the residual value of the string instruments is higher than the cost at which they are held in the Balance Sheet. The carrying value of these assets are subject to an annual impairment review.

## **12. Stocks**

Catering, bar and promotional items 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 CSCI 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 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. Cash and Cash Equivalents**

Liquid resources include sums on short-term, 95 day, 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. Contingent Liabilities and contingent assets**

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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

## **20. Accounting for ABRSM**

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

## **21. 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 meet the criteria for basic financial instruments prescribed within FRS 102. Basic financial instruments are measured as follows:

### **Investments**

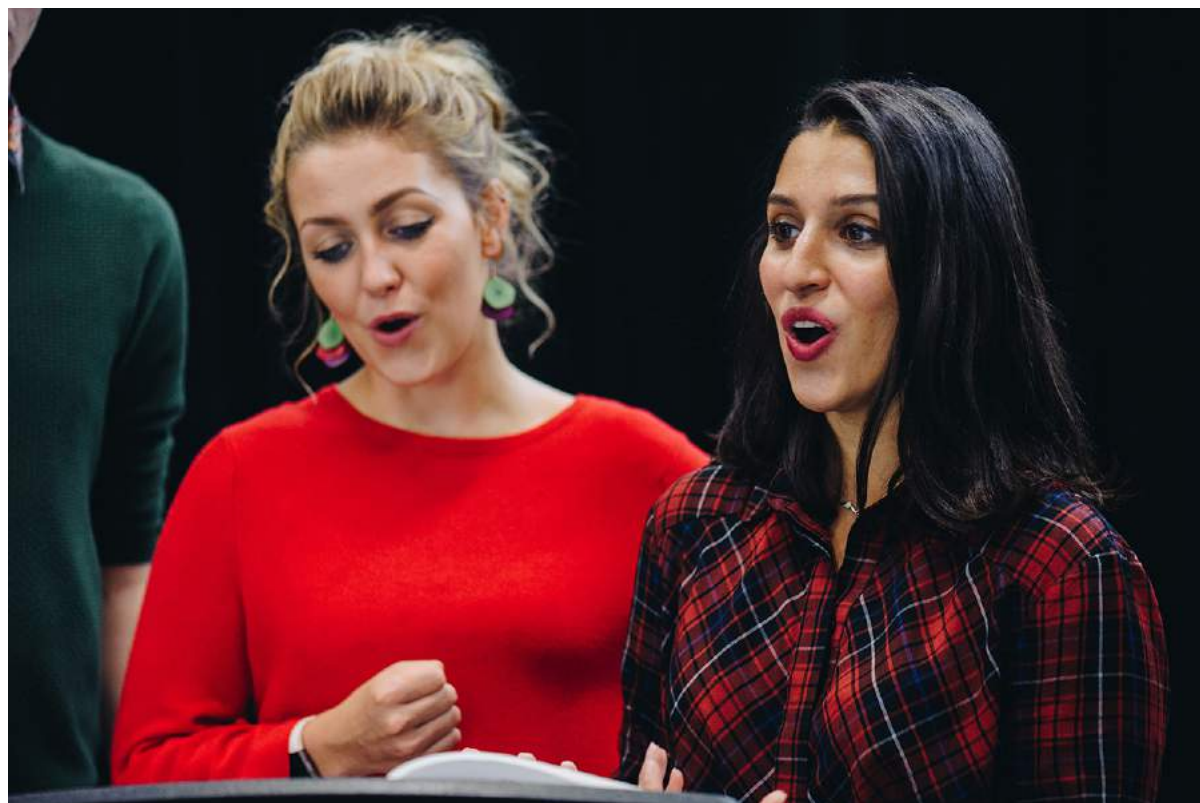
Investments within the scope of Section 11 of FRS 102 (therefore excluding investments in subsidiaries, associates and joint ventures) are recognised initially at the transaction price (adjusted for transaction costs except in the initial measurement of financial assets and liabilities that are subsequently measured at fair value through profit and loss) unless the arrangement constitutes, in effect, a financing transaction. 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.

### **Short-term debtors and creditors**

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

### **Loans**

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



# Consolidated and College Statement of Comprehensive Income

## Year Ended 31 July 2020

		Year ended 31 July 2020		Year ended 31 July 2019	
	Notes	Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b>Income</b>					
Tuition fees and education contracts	1	11,889	11,889	11,081	11,081
Funding body grants	2	5,203	5,203	5,647	5,636
Research grants and contracts	3	470	470	343	343
Other income	4	1,978	2,324	2,381	3,286
Investment income	5	1,018	2	992	2
Donations and endowments	6	2,014	-	3,737	-
<b>Total income</b>		<b>22,572</b>	<b>19,888</b>	<b>24,181</b>	<b>20,348</b>
<b>Expenditure</b>					
Staff costs	7	13,848	13,848	13,405	13,405
Other operating expenses	9	7,647	5,479	8,084	6,412
Depreciation	10	1,673	1,673	1,555	1,555
Interest and other finance costs	8	337	337	294	294
<b>Total expenditure</b>		<b>23,505</b>	<b>21,337</b>	<b>23,338</b>	<b>21,666</b>
<b>Surplus/(deficit) before other gains and losses.</b>		<b>(933)</b>	<b>(1,449)</b>	<b>843</b>	<b>(1,318)</b>
Gain on disposal of fixed assets		3	3	-	-
(Loss)/Gain on investments	16/18	(181)	-	(106)	-
<b>Surplus / (Deficit) for the year</b>		<b>(1,111)</b>	<b>(1,446)</b>	<b>737</b>	<b>(1,318)</b>
Actuarial (loss)/gain in respect of pension schemes	23	(4,750)	(4,750)	(2,890)	(2,890)
<b>Total comprehensive income for the year</b>		<b>(5,861)</b>	<b>(6,196)</b>	<b>(2,153)</b>	<b>(4,208)</b>
Represented by:					
Endowment comprehensive income for the year		(335)	-	1,390	-
Restricted comprehensive income for the year		370	-	(913)	-
Unrestricted comprehensive income for the year		(5,896)	(6,196)	(2,630)	(4,208)
		<b>(5,861)</b>	<b>(6,196)</b>	<b>(2,153)</b>	<b>(4,208)</b>

All items of income and expenditure relate to continuing activities

## Consolidated and College Statement of Changes in Reserves

### Year Ended 31 July 2020

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2018</b>	<b>17,546</b>	<b>4,878</b>	<b>23,880</b>	<b>4,536</b>	<b>50,840</b>
Surplus/(deficit) from the income and expenditure statement	1,390	(913)	260	-	737
Other comprehensive income	-	-	(2,890)	-	(2,890)
<b>Total comprehensive income for the year</b>	<b>1,390</b>	<b>(913)</b>	<b>(2,630)</b>	<b>-</b>	<b>(2,153)</b>
Transfers between revaluation and income and expenditure reserve	-	-	129	(129)	-
<b>Balance at 1 August 2019</b>	<b>18,936</b>	<b>3,965</b>	<b>21,379</b>	<b>4,407</b>	<b>48,687</b>
Surplus/(Deficit) from the income and expenditure statement	(335)	370	(1,146)	-	(1,111)
Other comprehensive income	-	-	(4,750)	-	(4,750)
<b>Total comprehensive income for the year</b>	<b>(335)</b>	<b>370</b>	<b>(5,896)</b>	<b>-</b>	<b>(5,861)</b>
Transfers between revaluation and income and expenditure reserve	-	-	128	(128)	-
<b>Balance at 31 July 2020</b>	<b>18,601</b>	<b>4,335</b>	<b>15,612</b>	<b>4,279</b>	<b>42,827</b>

College	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2018</b>	-	-	<b>15,500</b>	<b>4,536</b>	<b>20,036</b>
(Deficit) from the income and expenditure statement	-	-	(1,318)	-	(1,318)
Other comprehensive income	-	-	(2,898)	-	(2,898)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(4,216)</b>	<b>-</b>	<b>(4,216)</b>
Transfers between revaluation and income and expenditure reserve	-	-	129	(129)	-
<b>Balance at 1 August 2019</b>	<b>-</b>	<b>-</b>	<b>11,413</b>	<b>4,407</b>	<b>15,820</b>
(Deficit) from the income and expenditure statement	-	-	(1,446)	-	(1,446)
Other comprehensive income	-	-	(4,750)	-	(4,750)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(6,196)</b>	<b>-</b>	<b>(6,196)</b>
Transfers between revaluation and income and expenditure reserve	-	-	128	(128)	-
<b>Balance at 31 July 2020</b>	<b>-</b>	<b>-</b>	<b>5,345</b>	<b>4,279</b>	<b>9,624</b>

**Consolidated and College Statement of Financial Position**  
**Year Ended 31 July 2020**

		As at 31 July 2020		As at 31 July 2019	
	Notes	Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b>Non-current assets</b>					
Fixed assets	10	31,999	31,999	31,954	31,954
Heritage assets	10	291	291	291	291
Investments - Endowed	16	18,384	-	18,718	-
Investments - Restricted	17	1,919	-	1,897	-
Investments - Unrestricted	18	1,478	-	1,470	-
		<u>54,071</u>	<u>32,290</u>	<u>54,330</u>	<u>32,245</u>
<b>Current assets</b>					
Stock		15	15	21	21
Trade and other receivables	12	1,095	909	1,123	954
Cash and cash equivalents	19	8,631	167	9,355	370
		<u>9,741</u>	<u>1,091</u>	<u>10,499</u>	<u>1,345</u>
Less: Creditors: amounts falling due within one year	13	(1,982)	(4,754)	(2,682)	(4,310)
<b>Net current assets/(liabilities)</b>		<u>7,759</u>	<u>(3,663)</u>	<u>7,817</u>	<u>(2,965)</u>
<b>Total assets less current liabilities</b>		<u>61,830</u>	<u>28,627</u>	<u>62,147</u>	<u>29,280</u>
Creditors: amounts falling due after more than one year	14	(3,560)	(3,560)	(3,878)	(3,878)
<b>Provisions</b>					
Pension provisions	15	(15,443)	(15,443)	(9,582)	(9,582)
<b>Total net assets</b>		<u>42,827</u>	<u>9,624</u>	<u>48,687</u>	<u>15,820</u>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	16	18,601	-	18,936	-
Income and expenditure reserve - restricted reserve	17	4,335	-	3,965	-
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		15,612	5,345	21,379	11,413
Revaluation reserve		4,279	4,279	4,407	4,407
		<u>42,827</u>	<u>9,624</u>	<u>48,687</u>	<u>15,820</u>

The financial statements were approved by the Governing Body on 01 December 2020 and were signed on its behalf on that date by:



Chair of the Board of Governors, Nick Prettejohn



Principal, Linda Merrick

**Consolidated Cash Flow**  
**Year Ended 31 July 2020**

	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		(1,111)	737
<b>Adjustment for non-cash items</b>			
Depreciation	10	1,673	1,555
Loss on restricted investments	16	199	64
(Gain)/loss on unrestricted investments	18	(18)	42
Decrease in stock		6	14
Decrease/(Increase) in debtors	12	29	(13)
(Decrease)/Increase in creditors due in less than 1 year	13	(493)	48
(Decrease) in creditors due in more than 1 year	14	(74)	(74)
Investment management fee		123	121
Increase in pension provision	15	5,861	4,042
Actuarial (loss) in respect of pension schemes		(4,750)	(2,890)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(1,018)	(992)
Interest payable	8	139	147
Lease interest payable		26	26
Endowment income		-	(1,189)
(Profit) on the sale of fixed assets		(3)	-
Capital grant income		(142)	(501)
<b>Net cash inflow from operating activities</b>		<b>447</b>	<b>1,137</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		3	-
Capital grants receipts		142	501
Endowment cash invested		-	(195)
Investment income		1,018	992
Payments made to acquire fixed assets		(1,718)	(2,387)
		<b>(555)</b>	<b>(1,089)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(139)	(147)
Interest element of finance lease		(26)	(26)
Endowment cash received		-	1,189
Repayments of amounts borrowed		(256)	(247)
Capital element of finance lease		(196)	(196)
		<b>(617)</b>	<b>573</b>
<b>(Decrease)/Increase in cash and cash equivalents in the year</b>		<b>(725)</b>	<b>621</b>
Cash and cash equivalents at beginning of the year	19	9,355	8,734
Cash and cash equivalents at end of the year	19	8,631	9,355



**Notes to the Accounts**  
**Year Ended 31 July 2020**

		Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated	College	Consolidated	College
1	Tuition fees and education contracts	Notes	£'000	£'000	£'000
	Full-time home and EU students		6,200	6,200	6,186
	Full-time international students		4,599	4,599	3,886
	Other fees, Junior RNCM and Young Strings		1,090	1,090	1,009
			<b>11,889</b>	<b>11,889</b>	<b>11,081</b>

		Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated	College	Consolidated	College
2	Funding body grants		£'000	£'000	£'000
	<b>Recurrent grant</b>				
	Office for Students		5,061	5,061	5,146
	<b>Specific grants</b>				
	Capital grant		142	142	501
			<b>5,203</b>	<b>5,203</b>	<b>5,647</b>

		Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated	College	Consolidated	College
3	Research grants and contracts		£'000	£'000	£'000
	Research councils		437	437	175
	Other		33	33	168
			<b>470</b>	<b>470</b>	<b>343</b>

**3a Grant and Fee Income**

The source of grant and fee income, included in notes 1 to 3 is as follows:

	2019-20	2018-19
	£'000	£'000
Grant income from the OfS	4,499	4,983
Grant income from other bodies	1,007	664
Fee income for taught awards (excl VAT)	10,600	9,855
Fee income for research awards (excl VAT)	164	171
Fee income from non-qualifying courses (excl VAT)	1,125	1,054
Total grant and fee income	<b>17,395</b>	<b>16,727</b>

## Notes to the Accounts (continued)

Year Ended 31 July 2020

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b>4 Other income</b>				
Residences, catering and conferences	852	852	1,104	1,104
Other capital grants	-	241	-	564
Other income*	1,126	1,231	1,277	1,618
	<b>1,978</b>	<b>2,324</b>	<b>2,381</b>	<b>3,286</b>

\*The College received grants totalling £339,396 in relation to the Coronavirus Job Retention Scheme (CJRS). The CJRS was put in place by the UK Government in 2020 to provide grants to organisations who's employees were temporarily unable to work and therefore needed to be furloughed as a result of the Covid-19 pandemic.

		Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b>5 Investment income</b>					
Investment income	17	956	-	939	-
Other investment income		62	2	53	2
		<b>1,018</b>	<b>2</b>	<b>992</b>	<b>2</b>

		Year Ended 31 July 2019		Year Ended 31 July 2019	
		Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b>6 Donations and endowments</b>					
New endowments	16	-	-	1,189	-
Donations with restrictions	17	1,756	-	941	-
Unrestricted donations		258	-	1,607	-
		<b>2,014</b>	<b>-</b>	<b>3,737</b>	<b>-</b>

# Notes to the Accounts (continued)

## Year Ended 31 July 2020

### 7 Staff costs

Staff Costs :  
Salaries  
Social security costs  
Movement on USS provision  
GMPF pension charge  
Pension costs  
Total

Year Ended 31 July 2020 Consolidated £'000	College £'000	Year Ended 31 July 2019 Consolidated £'000	College £'000
10,382	10,382	10,092	10,092
884	884	867	867
(27)	(27)	74	74
861	861	968	968
1,748	1,748	1,404	1,404
13,848	13,848	13,405	13,405

Emoluments of the Principal:  
Salary\*  
Benefits (Private medical care)  
Sub total

Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000
156	142
2	2
158	144
36	23
194	167

Pension contributions

Total Emoluments

\*No salary sacrifice arrangements are in place

#### The Principal's remuneration package

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

The composition of the Committee reflects the guidance published by the Committee of University Chairs in March 2015 and the requirement set out in the Remuneration Code that Remuneration Committees must be independent and competent.  
The Committee is chaired by a lay governor and The Principal is not a member.

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

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

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

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

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

#### Principal's Pay Ratio

Principal's basic pay ratio

Year Ended 31 July 2020	Year Ended Restated 31 July 2019
----------------------------	--

3.9:1

3.6:1

Principal's total pay ratio

4.4:1

3.8:1

The Principal's total pay ratio has been restated from 3.5:1 in 2018/2019 due to an incorrect median salary used within the original calculation

#### Remuneration of other higher paid staff, excluding employer's pension contributions

£100,000 to £104,999  
£105,000 to £109,999

No.	No.
-	-
-	1
0	1

#### Average staff numbers by major category :

Academic  
Professional Services

No.	No.
81	79
161	154
242	233

#### Severance costs

Severance costs payable recorded within staff costs

£'000	£'000
17	15

Number of staff severance costs paid to

1

2

#### Key management personnel

Key management personnel comprises the 5 members (2018/19 - 5) of the Senior Executive Team, including the Principal, being 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 2020 £'000	Year Ended Restated 31 July 2019 £'000
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Key management personnel compensation

660

623

2018/2019 has been restated from £437k as the Principal was not originally included in the calculation.

# Notes to the Accounts (continued)

## Year Ended 31 July 2020

### 7 Staff costs (continued)

#### 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 precedures.

#### Related Party Transactions

	Income recognised within the financial statements	Expenditure recognised within the financial statements	Balance due to the College recognised within the financial statements	Balance due from the College recognised within the financial statements
	£	£	£	£
ABRSM	6,052	1,951	438	-
Association of British Orchestra	-	2,250	-	-
Bolton Music Service	12,606	2,000	-	-
Conservatoires UK	-	8,230	-	-
Halle Concerts Society	2,427	6,968	-	575
Howarth of London	-	185	-	-
Manchester City Council	-	710	-	-
RNCM Students Union	-	19,527	-	-
Royal Musical Association	-	1,325	-	1,000
	<b>21,085</b>	<b>43,146</b>	<b>438</b>	<b>1,575</b>

#### ABRSM

The Principal and one 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).

#### Association of British Orchestra

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

The Principal is a board member of the Association of British Orchestra.

#### Bolton Music Service

Bolton Music Service provides high quality music services for schools, teachers, young people and their families.

One member of the RNCM Board of Governors is the Head of Service at Bolton Music Service.

#### Conservatoires UK

The RNCM is a member of CUK, who represent the collective views of eleven UK conservatoires to develop best practice for training and education in the performing arts and to promote the sector's excellence nationally and globally.

The Principal of RNCM is the Chair of Conservatoires UK.

#### Halle Concerts Society

The Hallé is an English symphony orchestra based in Manchester, England. It supports a choir, youth choir, youth training choir, children's choir, children's choir and a youth orchestra, and releases its recordings on its own record label.

One member of the RNCM Board of Governors is the Chief Executive and the Principal is a board member at Halle Concerts Society.

#### Howarth of London Ltd

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

The Principal is a UK Representative of Howarth of London Ltd.

#### Manchester City Council

One member of the RNCM Board of Governors is the Leader of Manchester City Council.

#### RNCM Students Union

The RNCM provides support to the RNCM Student's Union by way of an annual grant (£19.5k 19/20, £35k 18/19).

The SU President is a member of the Board of Governors of the RNCM.

#### Board Members

No board member has received any remuneration/waived payments from the group during the year 2019/20 (2018/19 - none)

The total expenses paid to or on behalf of board members was £3,894 (2018/19 - £4,061). This represents travel and subsistence expenses incurred in attending Board and Committee meetings in their official capacity.

## Notes to the Accounts (continued)

### Year Ended 31 July 2020

	Notes	Year Ended 31 July 2020 Consolidated £'000	College £'000	Year Ended 31 July 2019 Consolidated £'000	College £'000
<b>8 Interest and other finance costs</b>					
Loan interest		139	139	147	147
Net charge on pension scheme	23	198	198	147	147
		<u>337</u>	<u>337</u>	<u>294</u>	<u>294</u>
		Year Ended 31 July 2020 Consolidated £'000	College £'000	Year Ended 31 July 2019 Consolidated £'000	College £'000
<b>9 Other operating expenses</b>					
Academic and related expenditure		2,234	1,940	2,366	2,162
Administration and central services		1,237	1,225	1,273	1,347
Premises (including service concession cost)		1,445	1,445	1,512	1,512
Residences, catering and conferences		279	279	435	435
Scholarships and Bursaries		1,862	-	1,543	-
Concerts, Promotions and Performances		590	590	955	956
		<u>7,647</u>	<u>5,479</u>	<u>8,084</u>	<u>6,412</u>
Other operating expenses include:					
External auditors remuneration in respect of audit services		32	21	32	21
External auditors remuneration in respect of non-audit services		6	6	2	2
<b>10 Fixed Assets</b>					
<b>Consolidated and College</b>	<b>Total</b>	<b>Land and Buildings £'000</b>	<b>Fixtures, Fittings and Equipment £'000</b>	<b>Musical Instruments £'000</b>	<b>Computer and Recording Equipment £'000</b>
	<b>£'000</b>				
<b>Cost or valuation</b>					
At 1 August 2019	53,486	32,427	12,066	5,150	3,843
Additions	1,718	26	1,266	279	147
Disposals	(3)	-	-	(3)	-
<b>At 31 July 2020</b>	<b>55,201</b>	<b>32,453</b>	<b>13,332</b>	<b>5,426</b>	<b>3,990</b>
<b>Depreciation</b>					
At 1 August 2019	21,532	10,416	6,099	1,478	3,539
Charge for the year	1,673	647	775	32	219
Disposals	(3)	-	-	(3)	-
<b>At 31 July 2020</b>	<b>23,202</b>	<b>11,063</b>	<b>6,874</b>	<b>1,507</b>	<b>3,758</b>
<b>Net book value</b>					
<b>At 31 July 2020</b>	<b>31,999</b>	<b>21,390</b>	<b>6,458</b>	<b>3,919</b>	<b>232</b>
At 31 July 2019	31,954	22,011	5,967	3,672	304

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 Liberty Living Limited. Included within Musical Instruments are string instruments amounting to £3,743,004.

#### Heritage Assets

The RNCM holds heritage assets amounting to £290,925 relating to the RNCM Collection of Historical Instruments (RNCM CHMI) which are not depreciated.

## Notes to the Accounts (continued)

Year Ended 31 July 2020

### 11 Investment in associates

The Group, through the RNCM 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 RNCM Endowment Fund the interest in ABRSM is carried at cost. In the consolidated group financial statements the interest in ABRSM is accounted for using the equity method reflecting the Group's share of the net assets / (liabilities) of ABRSM as at 31 January 2020.

However because the RNCM Endowment Fund and Group liability is limited to £1, the group will only recognise their share of net liabilities up to £1. For clarity of reporting, based on the draft accounts of ABRSM at 31 Jan 2020, the Group's nominal share of ABRSM is set out below.

	<b>2020 Draft £'000</b>	<b>2019 £'000</b>
Total income	14,252	13,644
Operating Surplus after donations to Royal Schools of Music	492	280
Share of actuarial gain/(loss) pension scheme of associate	(1,611)	(309)
Gain on forward contract revaluation of associate	78	(169)
	<u>(1,533)</u>	<u>(478)</u>
Fixed assets	931	977
Current assets	7,575	7,809
Liabilities due within one year	(2,093)	(2,266)
Liabilities due after more than one year	(125)	(121)
Provisions	<u>(189)</u>	<u>(172)</u>
Sub total	6,099	6,227
Net pension liability	(6,530)	(5,616)
	<u>(431)</u>	<u>611</u>

# Notes to the Accounts (continued)

## Year Ended 31 July 2020

### 12 Trade and other receivables

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Amounts falling due within one year:				
Trade receivables	371	371	484	484
Other receivables	341	156	243	74
Prepayments and accrued income	382	382	396	396
	<u>1,094</u>	<u>909</u>	<u>1,123</u>	<u>954</u>

### 13 Creditors : amounts falling due within one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Unsecured loans	146	146	256	256
Obligations under finance leases	98	98	196	196
Other Creditors	1,027	998	901	829
Intra Group Loan	-	2,800	-	1,700
Social security and other taxation payable	126	126	126	126
Accruals and deferred income	585	585	1,203	1,203
	<u>1,982</u>	<u>4,753</u>	<u>2,682</u>	<u>4,310</u>

### 14 Creditors : amounts falling due after more than one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Deferred income	739	739	813	813
Obligations under finance leases	212	212	310	310
Unsecured loans	2,609	2,609	2,755	2,755
	<u>3,560</u>	<u>3,560</u>	<u>3,878</u>	<u>3,878</u>

Analysis of secured and unsecured loans:

<b>Due within one year or on demand (Note 13)</b>	146	146	256	256
Due between one and two years	261	261	265	265
Due between two and five years	561	561	538	538
Due in five years or more	1,787	1,787	1,952	1,952
<b>Due after more than one year</b>	<u>2,609</u>	<u>2,609</u>	<u>2,755</u>	<u>2,755</u>
<b>Total secured and unsecured loans</b>	<u>2,755</u>	<u>2,755</u>	<u>3,011</u>	<u>3,011</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 2019	(128)	(740)	(8,714)	<b>(9,582)</b>
Utilised in year	27	58	(982)	<b>(897)</b>
Additions	-	(121)	-	<b>(121)</b>
Interest Charge	(3)	(16)	(796)	<b>(815)</b>
Actuarial (loss)/gain	-	(14)	(4,014)	<b>(4,028)</b>
<b>At 31 July 2020</b>	<u><b>(104)</b></u>	<u><b>(833)</b></u>	<u><b>(14,506)</b></u>	<u><b>(15,443)</b></u>

#### Pension enhancement

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

Interest Rate	<u>1.4%</u>
Inflation Rate	<u>2.1%</u>

#### USS deficit

The obligation to fund the past deficit on the Universities' 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 2020

## 16 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2019/20	2018/19
	£'000	£'000	Total £'000	Total £'000
<b>Balances at 1 August</b>				
Capital	17,756	962	<b>18,718</b>	17,329
Accumulated income	-	218	<b>218</b>	217
	<u>17,756</u>	<u>1,180</u>	<u><b>18,936</b></u>	<u>17,546</u>
New endowments	-	-	-	1,189
Expenditure	(100)	(5)	<b>(105)</b>	(88)
Transfer from Restricted Reserves			-	541
(Decrease)/Increase in market value of investments	(218)	(12)	<b>(230)</b>	(252)
<b>Total endowment comprehensive income for the year</b>	<u>(318)</u>	<u>(17)</u>	<u><b>(335)</b></u>	<u>1,390</u>
<b>At 31 July</b>	<u><u>17,438</u></u>	<u><u>1,163</u></u>	<u><u><b>18,601</b></u></u>	<u><u>18,936</u></u>
<b>Represented by:</b>				
Capital	17,438	946	<b>18,384</b>	18,718
Accumulated income	-	217	<b>217</b>	218
	<u>17,438</u>	<u>1,163</u>	<u><b>18,601</b></u>	<u>18,936</u>
<b>Analysis by type of purpose:</b>				
Scholarships and bursaries			<b>17,610</b>	17,951
General			<b>991</b>	985
			<u><b>18,601</b></u>	<u>18,936</u>
<b>Analysis by asset:</b>				
<b>Non-current assets</b>				
Investments			<b>18,384</b>	18,718
<b>Current assets</b>				
Cash & cash equivalents			<b>226</b>	225
Creditors			<b>(9)</b>	(8)
			<u><b>18,601</b></u>	<u><b>18,936</b></u>



**Notes to the Accounts (continued)**  
**Year Ended 31 July 2020**

**17 Restricted Reserves**

Reserves with restrictions are as follows:

	2019/20 Total £'000	2018/19 Total £'000
<b>Balances at 1 August</b>		
Capital	1,897	3,268
Accumulated income	2,068	1,610
	<b>3,965</b>	<b>4,878</b>
New donations	1,705	941
Investment income	956	939
Expenditure	(2,322)	(2,440)
Transferred to Endowed Funds	-	(541)
Increase in market value of investments	31	188
	<b>370</b>	<b>(913)</b>
<b>Total restricted comprehensive income for the year</b>	<b>370</b>	<b>(913)</b>
<b>At 31 July</b>	<b>4,335</b>	<b>3,965</b>
<b>Represented by:</b>		
Capital	1,919	1,897
Accumulated income	2,416	2,068
	<b>4,335</b>	<b>3,965</b>

	2019/20 Total £'000	2018/19 Total £'000
<b>Analysis of other restricted funds /donations by type of purpose:</b>		
Scholarships and bursaries	1,748	1,255
General	2,587	2,710
	<b>4,335</b>	<b>3,965</b>

<b>Analysis by asset:</b>		
<b>Non-current assets</b>		
Investments	1,919	1,897
<b>Current assets</b>		
Trade and other receivables	160	149
Cash & cash equivalents	2,270	1,934
Creditors	(14)	(15)
	<b>4,335</b>	<b>3,965</b>

**18 Unrestricted Investments**

	2019/20 Total £'000	2018/19 Total £'000
At 1 August	1,470	1,511
Investment Management Fee	(10)	
Gain/(loss) in market value of investments	18	(41)
At 31 July	<b>1,478</b>	<b>1,470</b>

**19 Cash and cash equivalents**

	At 1st August 2019 £'000	Cash Flows £'000	At 31st July 2020 £'000
<b>Consolidated</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Unrestricted cash	7,196	(1,061)	6,135
Endowment cash	225	1	226
Restricted cash	1,934	336	2,270
	<b>9,355</b>	<b>(724)</b>	<b>8,631</b>

## Notes to the Accounts (continued)

### Year Ended 31 July 2020

#### 20 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2020

	31 July 2020		31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Commitments contracted for	524	524	343	343
	<u>524</u>	<u>524</u>	<u>343</u>	<u>343</u>

#### 21 Lease obligations

##### Total rentals payable under operating leases:

	31 July 2020			31 July 2019		
	Pianos £'000	Other leases £'000	Total £'000	Pianos £'000	Other leases £'000	Total £'000
Payable during the year	279	-	279	279	1	280
Future minimum lease payments due:						
Not later than 1 year	453	-	453	146	-	146
Later than 1 year and not later than 5 years	1,359	-	1,359	13	-	13
Later than 5 years	453	-	453	-	-	-
Total lease payments due	<u>2,265</u>	<u>-</u>	<u>2,265</u>	<u>159</u>	<u>-</u>	<u>159</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.

The piano lease expired in December 2019 and a 7 month extension was agreed to the end of the financial year. A new 5 year agreement was agreed at the expiry of this extension.

##### Total rentals payable under finance leases:

	31 July 2020		31 July 2019	
	Fixtures & Fittings £'000	Total £'000	Fixtures & Fittings £'000	Total £'000
Payable during the year	222	222	222	222
Future minimum lease payments due:				
Not later than 1 year	111	111	222	222
Later than 1 year and not later than 5 years	241	241	352	352
Later than 5 years	-	-	-	-
Total lease payments due	<u>352</u>	<u>352</u>	<u>574</u>	<u>574</u>

#### Halls of Residence

In 2000 the College entered into a lease arrangement with Jarvis plc, subsequently assigned to Liberty Living Limited, to the operation of the Sir Charles Groves Hall of Residence on the College's campus. The land is leased on a 99-year lease to Liberty Living and the Hall of residence is leased back to the College in 30 and 60 year leases. Management of the Hall is contracted to Liberty Living Limited. The underlease payments are calculated as 98.45% of the student rents collected by the Hall plus an agreed payment for the use of the studio flats by College staff and guests. During 2019/20, the seventeenth year of its operation, the total income of the Hall was £5,068,478, and the underlease rent payable was £4,989,917. Since the risks and rewards of operating the Hall are substantially with Liberty Living Limited, the net income to the College of £78,561 has been recorded in the accounts under other income.

#### 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 were authorised for issue on 01 December 2020 by The Board of Governors

## Notes to the Accounts (continued)

Year Ended 31 July 2020

### 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 contribution rate 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-16
Actuarial method	Prospective benefits
Investment returns per annum	2.9% per annum
Pension increases per annum	2.0% per annum
Salary scale increases per annum	4.2% per annum
Market value of assets at date of last valuation	£196,100 million

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 23.68% of pensionable salaries from 1 September 2019. The total contribution made for the year ended 31 July 2020 was £1,246,839 of which employers contributions totalled £880,746 and employees contributions totalled £366,093. An appropriate FRS102 provision in respect of unfunded pensioners' benefits is included in provisions.

#### Universities Superannuation Scheme

The institution participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is 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 Consolidated Statement of Comprehensive Income 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) with related expenses being recognised through the Consolidated Statement of Comprehensive Income.

The total cost charged to the Consolidated Statement of Comprehensive Income is £75,643 (2019: £47,400) excluding the impact of the change in the deficit recovery plan.

Deficit recovery contributions due within one year for the institution are £5,037 (2019: £4,199)

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2018 ("the valuation date"), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

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

## Notes to the Accounts (continued)

### Year Ended 31 July 2020

The 2018 valuation was the fifth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI - 0.73%
Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	<b>2018 valuation</b>
	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
Future improvements to mortality	<u>Post-retirement:</u> 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females.
	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2018 valuation	2017 valuation
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

The funding position of the scheme has since been updated on an FRS 102 basis:

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%, until 31 March 2028. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020	2019
Discount rate	0.73%	2.44%
Pensionable salary growth	n/a	n/a

In the year ended 31 July 2019, the liability was based on the previous deficit recovery plan, which required payment of 5% of salaries over the period 1 April 2020 to 30 June 2034.

A further full valuation as at 31 March 2020 is currently underway. As the valuation has only recently commenced there is still work to be done agreeing the technical provisions assumptions, the extent of future investment risk, the duration of the deficit period and the level of deficit contributions. Rule changes in respect of strengthening the employer covenant are also in progress including restrictions on employer exits, debt monitoring and pari passu arrangements. The valuation must be completed by 30 June 2021. However it is generally anticipated that there will be a significant increase in the deficit provision as at 31 July 2021 (assuming the valuation is completed by then).

#### Contingent Liability

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

The estimated section 75 debt for RNCM was £1.2m as at 31 March 2018.

# Notes to the Accounts (continued)

## Year Ended 31 July 2020

### 23 Pension Schemes (continued)

#### Greater Manchester Pension Fund

The Greater Manchester Pension Fund (GMPF) is a defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2020 was £1,110,773 of which employers contributions totalled £816,185 and employees contributions totalled £294,588. 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:

The following information is based upon a full actuarial valuation of the Fund at 31 March 2019, rolled forward to 31 July 2020 by a qualified independent actuary.

	Friday, 31 July 2020	Wednesday, 31 July 2019
Inflation	2.10%	2.40%
Rate of increase in salaries	2.90%	3.20%
Discount rate for liabilities	1.40%	2.10%

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

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2020 years	At 31 July 2019 years
<i>Retiring today</i>		
Males	20.5	20.6
Females	23.1	23.1
<i>Retiring in 20 years</i>		
Males	22	22
Females	25	24.8

Allowing for index returns, the estimated split of assets as at 31 July 2020 is shown below :

	Friday, 31 July 2020	Wednesday, 31 July 2019
Equities	67.0%	69.0%
Bonds	18.0%	14.0%
Property	7.0%	8.0%
Cash	8.0%	9.0%

	Year Ended 31 July 2020 £'000	Year Ended Wednesday, 31 July 2019 £'000
College's estimated asset share	28,643	28,399
Present value of scheme liabilities	(42,987)	(36,950)
Present value of unfunded liabilities	(162)	(163)
Deficit in the Scheme	(14,506)	(8,714)

#### Analysis of the amount charged in the income and expenditure account

	Year Ended 31 July 2020 £'000	Year Ended Wednesday, 31 July 2019 £'000
Current service cost	1,888	1,499
Past service cost	(201)	278
Total operating charge	1,687	1,777

#### Analysis of net interest on pension scheme

	Year Ended 31 July 2020 £'000	Year Ended Wednesday, 31 July 2019 £'000
Interest on pension scheme assets	601	746
Interest on pension scheme liabilities	(796)	(892)
Net interest	(195)	(146)

#### Amount recognised in the statement of comprehensive income

	Year Ended 31 July 2020 £'000	Year Ended Wednesday, 31 July 2019 £'000
Actuarial (losses)/gain on pension scheme assets	(722)	795
Experience gains and losses arising on the scheme liabilities	544	2
Change in financial and demographic assumptions underlying the scheme liabilities	(4,558)	(3,657)
Actuarial gain / (loss)	(4,736)	(2,860)

#### Movement in deficit during the year

	Year Ended 31 July 2020 £'000	Year Ended Wednesday, 31 July 2019 £'000
(Deficit) in scheme at start of period	(8,714)	(4,740)
Movement in year:		
Current service charge	(1,888)	(1,499)
Contributions	815	798
Contributions in respect of unfunded benefits	11	11
Past service costs	201	(278)
Net interest	(195)	(146)
Actuarial (loss)	(4,736)	(2,860)
Deficit in scheme at end of period	(14,506)	(8,714)

#### Asset and Liability Reconciliation

	Year Ended 31 July 2020 £'000	Year Ended Wednesday, 31 July 2019 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	37,113	31,192
Current service cost	1,888	1,499
Interest cost	796	892
Contributions by Scheme participants	291	288
Experience gains and losses on defined benefit obligations	328	(1,929)
Changes in financial assumptions	3,686	5,584
Benefits paid	(752)	(691)
Past Service cost	(201)	278
Defined benefit obligations at end of period	43,149	37,113

#### Changes in fair value of plan assets

	Year Ended 31 July 2020 £'000	Year Ended Wednesday, 31 July 2019 £'000
Fair value of plan assets at start of period	28,399	26,452
Interest on plan assets	601	746
Return on plan assets	(722)	795
Employer contributions	826	809
Contributions by Scheme participants	291	288
Benefits paid	(752)	(691)
Fair value of plan assets at end of period	28,643	28,399

## Notes to the Accounts (continued)

### Year Ended 31 July 2020

#### 23 Pension Schemes (continued)

##### History of experience gains and losses

	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000	Year Ended Tuesday, 31 July 2018 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Difference between the interest on assets and actual return on assets	(722)	795	1,434	2,200	1,574
Value of assets	28,643	28,399	26,452	24,025	21,110
% of scheme assets	-2.5%	2.8%	5.4%	9.2%	7.50%
Experience gains / (losses) on liabilities	544	2	(3)	2,585	314
Present value of liabilities	43,149	37,113	31,192	30,627	30,510
% of scheme liabilities	1.26%	0.01%	-0.01%	8.44%	1.03%
<b>Amount recognised in the statement of comprehensive income</b>	<b>(4,736)</b>	<b>(2,860)</b>	<b>2,825</b>	<b>3,344</b>	<b>(1,317)</b>
Present value of liabilities	43,149	37,113	31,192	30,627	30,510
% of scheme liabilities	-10.98%	-7.71%	9.06%	10.92%	-4.32%

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 2020 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 differences between expected and actual outcomes are reported through experience gains and losses.

##### Sensitivity Analysis

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

Change in assumptions at 31 July 2020:	Approximate % increase to Employer Liability	Approximate monetary amount £(000)
0.5% decrease in Real Discount Rate	12%	5,121
0.5% increase in the Salary Increase Rate	1%	564
0.5% increase in the Pension Increase Rate	10%	4,451

##### 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 2020 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).

#### 24 Connected charitable Institutions

Two charitable institutions are administered by the College and have been established for its general or special purposes. The connected institutions are included as a subsidiary undertaking in these consolidated financial statements. The RNCM Finance Committee acts as the trustee of each charity.

The movements in the year on the funds of the connected institutions, as reported in their own accounts, were as follows:

	RNCM Awards Fund £	RNCM Endowment Fund £
Income	2,268,838	710,300
Expenditure	1,874,141	588,518
Surplus for the year	394,697	121,782
Investment (Losses)/Gains	(241,986)	62,063
Net Movement in Funds	152,711	183,845
Assets	19,379,798	16,125,512
Liabilities	21,387	7,451
Net	19,358,411	16,118,061

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.

**Notes to the Accounts (continued)**  
**Year Ended 31 July 2020**

**25 Financial Instruments**

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b><u>Financial assets</u></b>				
Investments measured at fair value through income and expenditure				
Investments in listed ordinary shares	12,988	-	14,236	-
Investments in common investment funds	8,793	-	7,848	-
	<u>21,781</u>	<u>-</u>	<u>22,084</u>	<u>-</u>
Assets measured at Amortised Cost				
Trade and other receivables at cost	712	527	727	558
Cash and cash equivalents	8,631	167	9,355	370
	<u>9,343</u>	<u>694</u>	<u>10,082</u>	<u>928</u>
<b>Total financial assets</b>	<u><b>31,124</b></u>	<u><b>694</b></u>	<u><b>32,166</b></u>	<u><b>928</b></u>
<b><u>Financial liabilities</u></b>				
Trade payables at cost	1,027	998	901	829
Loans at cost	2,755	5,555	3,011	4,711
Obligations under finance leases	310	310	506	506
<b>Total financial liabilities</b>	<u><b>4,092</b></u>	<u><b>6,863</b></u>	<u><b>4,418</b></u>	<u><b>6,046</b></u>

Income, expenditure, gains and losses in respect of financial instruments are summarised below:

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b><u>Interest income and (expense)</u></b>				
Interest income for financial assets measured at fair value through income and expenditure	974	-	964	-
Interest income for financial assets at amortised cost	44	2	28	2
Interest (expense)	(165)	(165)	(173)	(173)
	<u>853</u>	<u>(163)</u>	<u>819</u>	<u>(171)</u>
	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b><u>Gains/(Losses)</u></b>				
On financial assets measured at fair value through income and expenditure	(181)	-	(106)	-
	<u>(181)</u>	<u>-</u>	<u>(106)</u>	<u>-</u>

**26 Access and Participation Expenditure**

	Year Ended 31 July 2020 £'000
Access Investment	263
Financial support provided to students	188
Support for disabled students	53
Research and evaluation expenditure	24
<b>Total</b>	<u><b>528</b></u>

The total of the approved expenditure in our Access and Participation Plan for the year ended 31 July 2020 was £527,749. Included within this expenditure are staff costs amounting to £130,561 which are already included in the staff cost figure in the financial statements, note 7.

As set out in the Accounts Direction (OfS 2019.41), no comparatives have been given as the prior year expenditure relates to the Widening Participation Plan and the amounts are not comparable.

Details of the approved plan can be found at,

<https://www.officeforstudents.org.uk/advice-and-guidance/the-register/search-for-access-and-participation-plans/#/AccessPlans/accessplans/10007837>

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