



Royal Conservatoire  
*of* Scotland

**A Company Limited by Guarantee**

**Annual Report**

**And**

**Financial Statements**

**For the Year Ended 31 July 2016**

**Company Registration No.SC04703**

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## OFFICE BEARERS

Patron	His Royal Highness The Prince Charles, Duke of Rothesay DACad (Hon RSAMD)
President	Sir Cameron Mackintosh FRSAMD
Vice President	The Right Honourable Lord Gill FRSAMD
Patron of the Junior Conservatoire	Nicola Benedetti MBE DMus (Hon RCS)
Chairman of Governors	Lord Vallance of Tummel
Principal	Professor Jeffrey Sharkey
Secretary	Ewan Hailey
Registered Office	100 Renfrew Street Glasgow G2 3DB

## REPORT OF THE GOVERNORS

The Governors present their report together with the financial statements for the year ended 31 July 2016.

### *Constitution*

The Royal Conservatoire of Scotland is a company having a share capital limited by guarantee with a Company Registration No.SC04703. It was incorporated as the Glasgow Athenaeum in December 1900, having been established in 1847 to provide further education for adults in the fields of commerce, science and the arts. It is now an institution of higher education and was awarded degree awarding powers for taught degrees by the Privy Council on 13 May 1994.

The terms of the constitution, membership, powers and proceedings of the Board of Governors are set down in the Memorandum and Articles of Association as varied by, and in conformity with the provisions of, The Royal Conservatoire of Scotland Order of Council 2014 No. 268.

The Conservatoire is recognised by HMRC as a charity and is registered with the Office of the Scottish Charity Regulator – No.SC015855.

### *Corporate Structure*

A representative of each of the key constituencies of the Conservatoire holds a block of shares. Those constituencies are: students represented by the President of the Students' Union; staff represented by their elected staff Governors; senior management and Academic Board represented by the Principal; and the Chairman representing the Board of Governors and wider society. One of the descendants of one the Conservatoire's philanthropic founding families also retains a shareholding. Shareholders are entitled to vote at the Annual General Meeting to which all staff, students and a wide range of external stakeholders are invited.

### *Principal activity*

The principal activity of the Conservatoire is the provision of teaching, learning and research in, and for, the performing arts. Programmes offered range from short courses for young children through to PhD and include all genres of the performing arts.

The Conservatoire's vision is to:

Be Scotland's globally recognized and inspirational leader in learning for the performing arts, attracting and nurturing the best Scottish and international creative talent.

As a Board of Governors, staff and student team, we embrace and are motivated by:

- inclusivity, diversity and individuality;
- disciplinary excellence and innovative cross-disciplinary collaboration;
- breaking down barriers and challenging boundaries;
- the advancement of creative citizenship and leadership across the performing arts for our nation and for the world.



## STRATEGIC REPORT

The Conservatoire's 2015-2020 strategic plan "Delivering a Defining Performance" is based on four pillars:

1. Driving focused excellence
2. Promoting equality and diversity
3. Advancing lifelong learning
4. Embracing our role as a national and international performing arts institution.

The Conservatoire has made good progress towards achieving the objectives set out in its strategic plan over the past year.

### Driving focused excellence

Work on the undergraduate curriculum review progressed throughout the year with validation events scheduled for late 2016 with delivery commencing in September 2017. As well as seeking to enhance content and delivery, the review will also deliver efficiencies in those areas.

The Conservatoire's overall student satisfaction scoring in the National Student Survey was 83% (2015:79%). Although this represents an improvement, the results are being analysed in detail to identify areas where enhancements can be made.

As part of a drive for excellence the Conservatoire is seeking to strengthen staffing in key areas. One such appointment was Garry Walker who was appointed Artistic Director of Conducting during the past year.

The Conservatoire's Whittaker Library was awarded the 2016 International Association of Music Libraries Excellence Award.

Our students continue to win prizes across a range of prestigious international competitions, an important benchmark of the quality of the institution's students and teachers.

A Capital Campaign to support the development of a world-class creative campus was launched at a gala performance of *Cabaret* in the Spring and as a result the Conservatoire is well on its way to raising the balance of £1.3M necessary to complete the next phase of estate improvements. In support of its strategic objective of growing student numbers, particularly in music and pre-HE, the Conservatoire is in the process of completing a re-development of existing space within the building at Renfrew Street to create a number of additional teaching, practice and rehearsal rooms. Works commenced in August 2016 and are scheduled to be completed before the end of the year in time for the commencement of the second trimester. The Board has decided that all future donations for capital development projects will accumulate within the RSAMD Endowment Trust and it was further agreed that existing unspent capital donations would also be paid to that Trust.

Related to this estate development project the Conservatoire's archives have been relocated to The Whisky Bond, an arts hub close to the Wallace Studios. The facility will be operational from October 2016 and the increased space available will allow a larger proportion of material to be stored, displayed and accessed.

### Promoting Equality and Diversity

The current curriculum review has, as one of its aims, the embedding of equality and diversity (E&D) within the programmes. Work has also been on-going to align pre-HE activities much more closely with the undergraduate offerings in order to create clearer pathways for progression.

The ground-breaking BA Performance in British Sign Language and English (BSL) degree was introduced in 2015-16 and has had a major impact across the institution.

Over the past year the Conservatoire has been working towards achieving the commitments set out in the Equality Outcomes Report of 2015. This included participating in two key sectoral projects: Equality Challenge Unit: Attracting Diversity and the Higher Education Academy: Embedding E&D into the Curriculum: Strategic Enhancement Programme. Participation in both projects was bid-based and encouraged the Conservatoire to develop student recruitment activity to be more inclusive and to ensure that the institution's commitment to embedding E&D into each undergraduate programme, a key objective of the current curriculum review, would be robustly tested. Initial focus has been on trying to increase the number of women in jazz, composition and conducting studies and to increase Black, Asian and Minority Ethnic representation and participation in drama.

The Equality and Diversity Forum continues to administer a budget to encourage a range of innovative and impactful events, such as the first student-led diversity conference and a multi-media exhibition mounted by the students from the new BA Performance in BSL and English programme.

2015/16 was a successful year for the pre-HE initiative Transitions 20/40. The initiative was recognized by a Herald Higher Education Award for widening access. 11 students have been accepted onto undergraduate programmes at the Conservatoire with a further 14 studying at other higher education institutions. The Scottish Funding Council also agreed



to increase eligibility to all successful applicants with care experience, resulting in the removal of additional barriers to participation for some of Scotland's most marginalized learners.

The Commission on Widening Access report was received in March 2016 and the Conservatoire is currently formulating its response to engage meaningfully with the challenges it sets out within the context of a higher education performing arts institution.

#### Advancing Life Long Learning

The MEd Learning and Teaching in the Performing Arts degree was introduced and recruited strongly from across the range of performing arts disciplines and from a variety of educational contexts. A new pathway in the MEd for dance professionals wishing to gain initial and full registration with the General Teaching Council for Scotland (GTCS) was accredited.

A new head of the Junior Conservatoire, which now covers all disciplines, was appointed in early 2016. Overall student numbers increased and three new RCS 'Companies' for young people have been launched in Musical Theatre, Theatre and Contemporary Dance.

Part of the Conservatoire's strategy is to extend its reach by developing arts hubs. The first one was launched in June 2016 at Dumfries House in East Ayrshire. From the forthcoming academic year around 40 young people will be able to participate in creative dance and classical strings tuition.

In the autumn of 2015 a scheme was launched to provide discounted tickets for Under 26s to encourage this age group to attend Conservatoire performances.

#### Embracing our role as a national and international performing arts institution

In the autumn of 2015 the Conservatoire hosted the Association Européenne des Conservatoires. With over 300 delegates from Europe and beyond, this was an enormously successful event which opened a window on our innovative research and cross-disciplinary work. The Conservatoire also welcomed the biennial International Society for Music Education conference to Glasgow in July 2016. With some 1,200 delegates and 1,500 performers, and one of the largest events of its type this was a great opportunity to showcase the Conservatoire to the world.

As part of the Shakespeare 400<sup>th</sup> Anniversary celebrations the Conservatoire collaborated with the BBC SSO (Scottish Symphony Orchestra), Glasgow School of Art and the University of Glasgow in an event entitled 'Dream On' which was streamed live on BBC Arts Online and received much acclaim.

The BA Acting final year students were invited to take a production of The Tempest to the International Beijing Theatre Schools Festival.

This year marked the 10<sup>th</sup> Anniversary of the new music festival PLUG, which welcomes world-renowned contemporary music group Ensemble Modern as headline performers and teachers.

A Conservatoire production of Hansel and Gretel provided the opening performance marking the 40<sup>th</sup> anniversary of the St Magnus International Festival in Orkney.

RCS Voices again participated in the Edinburgh International Festival with the Royal Scottish National Orchestra (RSNO) in a performance of Elgar's 'The Apostles'.

The Board of Governors has established an International Advisory Board (IAB) based in the USA. The purpose of the IAB is to develop the Conservatoire's interests and profile in North America and build fundraising capacity to grow scholarship and other financial support.

In Research and Knowledge Transfer the current good standing of the Conservatoire's research was demonstrated in the excellent result for the QS World Rankings for Performing Arts, published in April 2016: perceptions of research excellence among academics internationally are the main driver for this ranking (weighted 90%, with employer perceptions making up the remaining 10%). Although this ranking is known for its volatility, it is gratifying to see that the Conservatoire's research is held in esteem by peers across the world – 927 academics responded to the survey which placed the Conservatoire in 6<sup>th</sup> place globally.

The Scottish Funding Council has established a new approach to funding knowledge exchange, replacing the previous Knowledge Transfer Grant with a new Universities Innovation Fund, which will enable institutions to work collaboratively in agreed innovation and knowledge exchange initiatives. Priorities for this new approach were established through 2015/16, and the Conservatoire will receive an uplift of about £100,000 in 2016-17 to pursue these activities.

Our implementation of the PURE research management information system is all but complete. The database and user interface is now fully implemented and is being rolled out to staff users in a phased process; the public portal is in its final design iteration. Based closely on the Conservatoire's website, it allows the user to discover the professional activity of staff, including their research and knowledge exchange activities, and explore their personal networks.



The new Doctor of Performing Arts programme had a successful first year of operation in 2015-16, allowing three outstanding students to pursue artistic studies at the doctoral level – the first time such an opportunity has been available in the Conservatoire. Highlights included a performance by Paulius Rudokas of Clara Schumann's Piano Concerto with BBC SSO in February 2016.

### Outcome Agreements

Outcome Agreements are intended to set out what higher education institutions plan to deliver in return for their funding from the Scottish Funding Council (SFC). SFC state that 'the focus of Outcome Agreements is on the contribution that higher education makes towards improving life chances, supporting world-class research and creating sustainable economic growth for Scotland'.

The Conservatoire engages positively with the Outcome Agreement process and particularly welcomes the opportunity which it presents to enhance the SFC's understandings of the specific needs and aspirations of the Conservatoire, which is unique in the context of Scottish higher education. To date and amongst other things, the Outcome Agreement process has delivered additional funding for Transitions 20/40, the Conservatoire's pre-higher education access programme, funding for a BA Performance in BSL and English and, most recently, an uplift of 28 funded undergraduate places which will be allocated in annual increments of seven over four years, which commenced in 2015/16. The Conservatoire welcomed the SFC's decision to protect this growth within the context of an overall cut to the HE budget. The Board of Governors approves both the Outcome Agreement and the associated annual self-evaluation report prior to submission to SFC.

The Conservatoire's 2015-16 Outcome Agreement and associated progress report can be found at [https://www.rcs.ac.uk/about\\_us/aboutus/strategy-annual-accounts/](https://www.rcs.ac.uk/about_us/aboutus/strategy-annual-accounts/)

### Future prospects

#### Academic developments

Work on the quadrennial undergraduate curriculum review continues with paperwork being finalised for the forthcoming review events. Much of this work is business as usual but there are also some significant developments across the board and in individual programmes.

All programmes are shifting their assessment processes from a modular structure to a more streamlined approach aligned directly to programme level learning outcomes. This will reduce assessment workload for both staff and students, freeing up core academic staff time for other activities.

At the programme level, BA Digital Film and Television are restructuring and the programme will become a BA Filmmaking with a greater emphasis on content creation. BA Modern Ballet is also proposing a name change to BA Dance with an even greater emphasis on contemporary dance pathways through the three years of the programme. This will broaden our applications base and further strengthen our intake. The BMus Traditional Music will become a named pathway through the BMus programme, alongside existing pathways in Jazz and Composition, resulting in greater synergies amongst the undergraduate music cohort; and the BEd Music programme will come 'in-house', with all aspects delivered by RCS from September 2017.

#### Widening Access

A re-structure of pre-HE activity to delineate Junior Conservatoire from Life Long Learning is nearing completion and work continues to develop pathways through pre-HE activities to undergraduate programmes across all disciplines.

The extension of the arts hubs to other locations around Scotland initially in Fife and Aberdeenshire to widen access to a high quality arts education is being planned.

#### Estates

With the completion of the project to provide additional teaching space at Renfrew Street in late 2016, the focus will move to develop proposals for the area to the front of the building.

### Access and employment of disabled persons

The Conservatoire's building and facilities are predominantly accessible in accordance with the requirements of the Equality Act 2010 and each refurbishment or new development continues to enhance our overall level of accessibility. There is an Access Policy in place for members of the public with disabilities who attend events at the Conservatoire.

Applications from disabled persons for employment are always fully considered, and if a disabled candidate meets the minimum essential criteria for a post they are always invited to attend an interview. Ultimately, however, the most suitable applicant for a post is selected, whether or not that person is disabled. It is the policy of the Conservatoire that the training, career development and promotion of disabled persons should, as far as possible, provide equality of opportunity to that available to other employees. In the event of existing employees becoming disabled, every effort is made to ensure that their employment within the Conservatoire continues and appropriate adjustments to the workplace and/or

work patterns are made, along with the provision of relevant training to undertake suitable alternative employment.

### Health, Safety and Child Protection

The Conservatoire is leading a Conservatoire sector wide project on child protection, with the aim of ensuring that all Conservatoire provision is "kite marked" by the NSPCC. The RCS has lead on the provision of sector wide guidelines, the systematisation and updating of procedures, effective communication with users and ensuring that this area is prioritised by each Conservatoire. Child protection awareness training is made available to all staff and students, with certain relevant categories of staff and students receiving more advanced training in child protection.

A suite of on-line training programmes has been developed and is integral to the staff and student induction and training process, including modules in health and safety, fire safety, noise awareness and manual handling. On-line training is being extended to include mental health awareness this coming year.

## **Financial Results**

### Financial Summary

	2016 £'000	2015 £'000 <i>restated</i>
Income	20,622	18,957
Expenditure	<u>20,714</u>	<u>19,236</u>
Deficit before other gains and losses	(92)	(279)
Loss on disposal of fixed assets	(10)	(12)
Realised (loss)/gain on investments	(26)	(2)
Deficit before unrealised gains and losses	(128)	(293)
Unrealised gain on investments	<u>77</u>	<u>69</u>
Deficit for the year	<u>(51)</u>	<u>(224)</u>
Capital expenditure	<u>442</u>	<u>368</u>
Cash and Cash equivalents	<u>1,807</u>	<u>2,590</u>
Net current assets	<u>1,820</u>	<u>1,351</u>
Pension liability	<u>(1,304)</u>	<u>(2,979)</u>

The 2015 results have been restated for the new accounting standard FRS 102. Note 27 to the accounts summarises the changes that have been made.

The deficit for the year is £ 51,000 (2015: a deficit of £224,000).

The position relating to the Conservatoire's involvement in Strathclyde Pension Fund is a net pension deficit at 31 July 2016 of £1,304,000 (2015: a deficit of £2,979,000). The reduction in the deficit for the year is due to a combination of improved market conditions and revised actuarial assumptions relating to future inflation, salary growth and discount rates. Accounting policy 1h and note 22 to the accounts disclose details of the treatment of pension assets/liabilities in the financial statements.

Cash on hand including short term investments at 31 July 2016 was £3,093,000 (2015: £3,642,000).

### Summary of Investment Performance

The Conservatoire's investments are managed on a discretionary basis by a professional fund manager on behalf of the Board of Governors and monitored by the Finance and General Purposes Committee. A new Investment Manager was appointed in October 2015. The total return across the managed portfolio for the initial 9 month period was 6.99% compared with the benchmark of 10.78%.

## **Risks and Uncertainties**

### Strategic Risks

The Conservatoire has identified the following key risks associated with the achievement of the Strategic Plan

- meet growth targets for student recruitment;
- consistently build upon our international standing;
- manage reputational risks associated with student survey results in comparison with other conservatoires;
- manage health & safety;



- provide sufficient management/staff capacity or project/change management capacity to deliver strategic objectives;
- manage child/adult at risk issues;
- maintain financial sustainability;
- manage compliance with the Counter-terrorism and Security Act 2015;
- deal with the implications of financial reporting post-implementation of FRS 102;
- deliver a successful capital campaign;
- manage the impact of changes in Scottish and UK HE policy.

The Board of Governors manages these risks through the senior management team which, together with a lay Governor, forms the Risk Management Group. The Board receives regular reports through the Audit Committee on the controls and mitigating actions that are in place and planned.

#### Meeting Student Growth Targets

The Principal now directly heads a student recruitment group which is responsible for developing and implementing recruitment strategy. A pre-HE Foundation programme to further support overseas recruitment and progression is planned to commence in September 2017. Further development of international recruitment in existing markets is planned as is more deployment of academic colleagues to widen the recruitment base. There is also a continued focus on Rest of UK recruitment and building relationships with Specialist Music Schools.

The Transitions 20/40 programme is now bedding in and greatly assists the Conservatoire to meet its SIMD 20/40 intake targets.

#### Maintaining Financial Sustainability

The Board aims to budget for operating surpluses which take into account fully the additional charges which arise under FRS 102. This has required significant budget savings to be found across departments for 2016-17 and revenue support from RCS Endowment Trust has also been secured to assist with budgetary challenges.

The International Advisory Board has been recruiting members in the USA and will commence to operate formally with the objective of building links and increasing the Conservatoire's student recruitment and fundraising potential in North America.

In addition to a Governors' Financial Sustainability Group, an Income Generation Group has been established to identify and prioritise prospects to generate additional income.

#### Changes to Scottish and UK HE Policy

The ramifications of the Referendum decision to leave the EU are far-reaching and represent a key risk to the Conservatoire. A significant number of mainland European students, particularly in music, are accepted to study at both undergraduate and postgraduate level. Changes to the tuition fee regime and to visa requirements are likely to have a negative impact on recruitment and the Conservatoire is currently developing a strategy to mitigate the impact. In addition the UK Higher Education and Research Bill could result in significant changes to the funding of research.

#### New Programmes

The following new programmes are planned to be introduced:

<b>Programme</b>	<b>Commencing</b>
MA Arts Entrepreneurship	September 2017 (provisional)

## Monitoring of Performance

The Board of Governors has agreed a comprehensive suite of performance indicators to assist it to monitor performance across the range of the Conservatoire's activities.

	2015-16	2014-15
<b><u>Income growth and diversity</u></b>		
Deficit before other unrealised gains and losses as a percentage of turnover	0.6%	1.5%
Deficit before other unrealised gains and losses	(£128K)	(£293K)
Financial forecast operating surplus (based on FRS 102)		
2016-17	£150K	£(401)K
2017-18	£45K	£(368)K
2018-19	£(8)K	N/A
Percentage of funding		
SFC	53%	56%
Undergraduate and postgraduate tuition fees	29%	29%
Junior Conservatoire and Short course tuition fees	9%	8%
Box Office and letting	2%	2%
Donations and other income	7%	5%
<b><u>Infrastructure</u></b>		
Capital Investment as % of insurance value	1%	1%
Building condition		
Category A – as new	65%	69%
Category B- completely fit for purpose	34%	31%
Category C – in need of improvement	1%	-
<b><u>UG and PG Applicant demand, student achievement and satisfaction</u></b>		
Applicants:		
Scottish	1,357	1,221
EU	483	388
RUK	1,172	1,028
International	566	503
Total	3,578	3,140
Students:	No %	No %
Scottish	556 52	522 53
EU	126 12	105 11
RUK	229 21	216 22
International	155 15	140 14
Total	1,066 100	983 100
Applications: offers : acceptances	6 : 1.5 : 1	8 : 2 : 1
Percentage of applicants with a declared disability	10%	11%
Percentage of undergraduate and postgraduate students with a declared disability	28%	27%
Scots undergraduate applicants from SIMD 20/40 as percentage of total Scots applicants	22%	23%
Scots undergraduate entrants from SIMD 20/40 as percentage of total Scots entrants	32%	24%
Scots undergraduates from SIMD 20/40 as percentage of total Scots undergraduates	17%	22%
Ratio of undergraduate to postgraduate students	3 : 1	4 : 1
Student Achievement Rate <sup>1</sup>	93%	94%

	2015-16	2014-15
Course Completion Rate <sup>2</sup>	85%	89%
<b><u>External engagement</u></b>		
National Student Survey overall satisfaction rating	83%	79%
HESA Destination of leavers percentage in work or further study	95%	92%
Number of internally generated student performances	444	400
Audience number	54,457	46,014
Audience number as a percentage of capacity	63%	65%

<sup>1</sup>The student achievement rate is a measure (expressed as a %) of those students who commence the year and become either eligible to progress or graduate on completion of the year of study.

<sup>2</sup>The course completion rate is a measure (expressed as a %) of students who commence a programme and complete that programme on time.



## THE BOARD OF GOVERNORS OF THE ROYAL CONSERVATOIRE OF SCOTLAND

The Board of Governors of the Royal Conservatoire of Scotland is unambiguously and collectively responsible for overseeing the Conservatoire's activities, determining its future direction and fostering an environment in which the Conservatoire's mission is achieved and the potential of all of its students is maximised. The Board of Governors ensures that the Conservatoire complies with the legislative, regulatory and best-practice framework within which Scottish higher education operates.

### Primary Responsibilities

To approve the mission, strategic vision and values of the Royal Conservatoire of Scotland, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.

Under the general control and direction of the Board, to delegate authority to the Principal, as Chief Executive, for the academic, corporate, financial, estate and human resource management of the Conservatoire and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.

To retain strategic responsibility for quality and provide public accountability for all aspects of institutional activities, including quality assurance and enhancement.

To delegate to the Academic Board the function of the Board relating to the overall planning, co-ordination, development and supervision of the academic work of the Conservatoire and such other functions of the Board of Governors as may be assigned to the Academic Board by the Board of Governors. Under these arrangements, the Board of Governors must satisfy itself that there are appropriate processes in place with regard to quality assurance and enhancement of educational provision.

To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, procedures for handling internal grievances, complaints from students/staff and others (including whistleblowing) and for managing conflicts of interest.

To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the Conservatoire against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.

To establish processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself.

To establish processes to monitor and evaluate the performance and effectiveness of the Chairman of the Board of Governors.

To conduct its business in an open and transparent manner and in accordance with the Scottish Code of Good HE Governance, bearing in mind the principles of proportionality and relevance to the nature of the Conservatoire, and with the principles of public life drawn up by the Committee on Standards in Public Life.

To ensure that the Conservatoire meets its commitments to the Scottish Funding Council.

To safeguard the good name and values of the Conservatoire.

To appoint the Principal as Chief Executive, and to put in place suitable arrangements for monitoring her/his performance.

To appoint a Secretary to the Board of Governors and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.

To be the employing authority for all staff in the Conservatoire and to be responsible for establishing a human resources strategy.

To be the principal financial and business authority of the Conservatoire, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the Conservatoire's assets, property and estate.

To ensure that public funds are appropriately applied and are properly accounted for and that the Conservatoire delivers value for money.

To be the Conservatoire's legal authority and, as such, to ensure that systems are in place for meeting all of its legal obligations, including those arising from contracts and other legal commitments made in the Conservatoire's name.

To make such provision as it thinks fit for the general welfare of students, in consultation with the Academic Board.

To act as custodian for any legacy, endowment, bequest or gift made directly to the Conservatoire. To ensure that the Conservatoire's constitution is followed at all times and that its business is conducted in accordance with its various

statutory obligations and that appropriate advice is available to enable this to happen.

To both constructively challenge and support the management of the Conservatoire.

#### **Reserved Powers**

- The appointment and dismissal of the Chairman of the Board of Governors.
- The appointment and dismissal of the Principal.
- The appointment and dismissal of all Lay Governors and the dismissal of elected Governors.
- The appointment and dismissal of the Secretary.
- The approval of changes to the Conservatoire's Articles of Association and related Statutory Instrument.
- The approval of the committee structure of the Board of Governors.
- The approval of capital projects with a value greater than £500,000.
- The approval of the Conservatoire's policies in respect of:
  - Health and safety
  - Equality of opportunity
  - Human resources
  - The identification and mitigation of risk
- The approval of the constitution of the Students' Union.
- Any matters which might have a significant bearing on the reputation of the Conservatoire.
- Any other matters which may be identified by the Scottish Funding Council as requiring the approval of the full Board.

#### **Payment of creditors**

It is the Conservatoire's policy to obtain the best terms for all goods and services. There is thus no single policy as to the terms used. In agreements negotiated with suppliers, the Conservatoire endeavours to include and abide by specific payment terms. The creditors' balance at 31 July 2016 represented 7% of total purchases for the year, equivalent to 25 creditor days. No interest was paid in terms of the Late Payments of Commercial Debts (interest) Act 1998.

APPROVED BY THE GOVERNORS ON 28 OCTOBER 2016 AND SIGNED ON THEIR BEHALF BY



Lord Vallance of Tummel  
Chairman



Professor Jeffrey Sharkey  
Principal



**GOVERNOR'S REPORT*****Honorary doctorates of the Royal Conservatoire of Scotland***

The following received honorary doctorates during the academic session 2015-16:

Doctor of Dance

Matthew Bourne

Doctor of Drama

David Tennant

Doctor of Music

Ralph Kirshbaum

**Governors**

The Governors set out in the table below have held office during the whole of the period from 1 August 2015 to the date of this report unless otherwise noted.

***Lay Governors***

Lord Vallance of Tummel (Chairman)  
 Mrs Fiona Ballantyne OBE (appointed 30 October 2015)  
 Sir Sandy Crombie (Vice Chairman) (retired 29 January 2016)  
 Miss Eileen Mackay CB (Vice Chairman) (retired 29 April 2016)  
 Ms Joyce Goodwin (retired 29 April 2016)  
 Mr John Hylands (Vice Chairman and Senior Lay Governor)  
 Dr Paul Jourdan  
 Professor Nick Kuenssberg OBE (appointed 6 July 2016)  
 Ms Tari Lang (appointed 6 July 2016)  
 Mr Mark Leishman LV  
 Ms Shonaig Macpherson CBE (appointed 30 October 2015)  
 Mr Donald MacRae OBE  
 Mr Ed Monaghan (appointed 30 October 2015)  
 Mr Mark Paris (appointed 29 April 2016)  
 Mr Gavin Reid  
 Professor Norman Gillies OBE  
 Ms Carol Main MBE  
 Professor Norman Sharp OBE  
 Mrs Agnes Robson  
 Dr Cindy Sughrue OBE (retired 29 January 2016)  
 Ms Maria Taylor (appointed 30 October 2015)

***Governors ex officio***

The Principal:  
 Professor Jeffrey Sharkey

The President, Students' Union:  
 Ms Ankna Arockiam (until 8 July 2016)  
 Mr Will Stringer (from 8 July 2016)

The Vice President, Students' Union  
 Mr Amin Keshmiri (until 4 October 2016)

Professor Maggie Kinloch, Deputy Principal (until 31 July 2016)

***Staff Governors-elected***

Ms Catherine Jackson (Support Staff)  
 Ms Jean Sangster (Academic Board from 29 January 2016)  
 Dr Laura Bissell (Academic Staff)

*(NB: In order to facilitate continuity in the governance of the Conservatoire, and in the context of the appointment of a new Principal in September 2014, the Board of Governors agreed to extend the appointment of the current Chairman to December 2016.)*

The Register of Governors' interests can be viewed on the website at  
[http://www.rcs.ac.uk/about\\_us/governors/register/](http://www.rcs.ac.uk/about_us/governors/register/)

***Directors' and Officers' liability insurance***

The Conservatoire has arrangements for directors' and officers' liability insurance cover.

**Governors' interests**

Will Stringer	60 ordinary shares of £1
Laura Bissell	60 ordinary shares of £1
Catherine Jackson	60 ordinary shares of £1
Lord Vallance (Chairman)	60 ordinary shares of £1
Jeffrey Sharkey	60 ordinary shares of £1

Governors' interests are shown as at the date of this report.

The Memorandum and Articles of Association prohibit payment of any dividend on the shares, prohibit any distribution to the shareholders in the event of a liquidation and require the Chairman to vote in accordance with the wishes of the Governors on certain matters. The Conservatoire maintains a register of Governors' interests and a register of gifts to governors and staff.

**Student and Staff Engagement in Governance and Quality Processes**

Students are represented at all levels of the Conservatoire's Governance and academic quality assurance and enhancement processes. The President and Vice President of the Students' Union are members of both the Board of Governors and the Academic Board and students are members of all academic related committees and processes that report to the Academic Board, other than Boards of Examiners and progress committees.

Membership of the Board of Governors includes two elected staff Governors (one by academic and the other by support staff) and one staff Governor nominated by the Academic Board, which itself includes two elected staff (one from each School) and two staff nominated by School Committees. Uniquely in higher education, both elected staff Governors and the President of the Students' Union are shareholders in the Company (the Royal Conservatoire being a Company Limited by Guarantee with a Shareholding). As well as being of significant symbolic importance, rights of shareholders include the ability to propose resolutions at the Conservatoire's Annual General Meeting.

**Fixed assets**

The fixed asset movements for the year are detailed in Note 11 to the financial statements.

**Auditors**

In accordance with Section 485 of the Companies Act 2006 a resolution for the re-appointment of Chiene & Tait LLP as auditors of the Conservatoire is to be proposed at the forthcoming annual general meeting.

APPROVED BY THE GOVERNORS ON 28 OCTOBER 2016 AND SIGNED ON THEIR BEHALF BY

  
Lord Vallance of Tummel  
Chairman

  
Professor Jeffrey Sharkey  
Principal



## CORPORATE GOVERNANCE STATEMENT

The Royal Conservatoire of Scotland is not required to comply with the UK Code of Corporate Governance issued by the Financial Reporting Council in 2010 but adopts applicable principles as best practice. The Conservatoire fully complies with the principles as far as they apply to Higher Educational Institutions with the exception of section A1.2 regarding the disclosure of individual attendance by Governors at Board and committee meetings. In serving this academic institution individual Board members give of their time voluntarily and contribute greatly to the furtherance of the work of the Conservatoire in a variety of ways that are not necessarily reflected through attendance at meetings. The Board is therefore of the view that it is inappropriate to disclose this information. Sections; B6.2, B7.1, D1.3, D2.4 and E1.2 are not applicable due to the size and particular corporate structure of the Conservatoire.

All Governors are made aware of the Governor Development Programme offered by the Leadership Foundation for Higher Education and in 2015/16 there were two attendances at Leadership Foundation events.

The Board of Governors has adopted a Code of Practice for the Conduct of Public Business which sets out the corporate and individual responsibilities of Governors; the procedures for their appointment, induction and training; the role of the Chairman, Principal (as Designated Officer) and Secretary; guidelines for conflicts of interest and procedures for matters related to openness, whistle blowing and independent review.

The Board of Governors meets the principles of good governance as set out in the 2013 Scottish Code of Good HE Governance.

### Commitment to diversity

The Board of Governors is committed to achieving a minimum of 40% of either gender by 2018 of lay governors. The current Governing Body comprises 35% female and 65% male of lay governors (39% female: 61% male of all governors). During the year the Governors were invited to submit details of protected characteristics which will be considered on an anonymised basis by the Nominations Committee so as to inform future recruitment to the Board.

Details of the Governors are set out on page 14.

The Board consists of

1. Lay members with proven experience in the performing arts, industrial, commercial or employment matters or the practice of any profession
2. Governors ex officio – the Principal, the Deputy Principal, the President of the Students' Union
3. A Governor appointed by the Academic Board, a Governor elected by academic staff, a Governor elected by support staff and a second student member appointed by the Students' Union

The Board elects the Chairman and Vice-Chairmen from those in category 1 above.

The business of the Conservatoire is overseen by the Board of Governors who may exercise all the powers of the company. The statement of Governors' responsibilities for preparing the financial statements is set out on pages 19 and 20.

The Board may delegate any of its powers to any committee of one or more Governors. The functions of the Board of Governors relating to the overall planning, co-ordination, development and supervision of the academic work of the Conservatoire are delegated to the Academic Board. The Board of Governors is responsible for the Conservatoire's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve its business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board meets four times per year and, additionally, normally holds an annual off-site meeting to consider strategic issues. The Board has several committees, memberships of which are listed on page 43. All of these committees are formally constituted with terms of reference. Four of these committees are particularly important in ensuring that the Conservatoire meets its various governance commitments.

The **Finance and General Purposes Committee** *inter alia* recommends to the Governing Body the Conservatoire's annual revenue and capital budgets and monitors performance in relation to these approved budgets. The membership comprises the Chairman of the Board of Governors, Principal and five Lay Governors. The Convenor of the Audit Committee is in attendance.

The **Remuneration Committee** is responsible for:

- formulating, advising on and keeping under review the Conservatoire's policy and procedures for remuneration of senior staff, for approval by the Board;
- reviewing and determining the salary and terms and conditions of members of senior management;
- formulating and advising on the Conservatoire's policy on severance arrangements and approving the terms of any severance or early retirement arrangement for a senior manager;
- determining any issue referred to it by the Board concerning remuneration and terms and conditions of senior staff;



- and
- reporting its decisions to the Board.

The membership comprises a lay governor appointed by the Board of Governors as Convenor, the chair of the Board of Governors, the Convenor of the Finance and General Purposes Committee and an additional lay governor appointed by the Board of Governors.

The group of senior staff whose remuneration is determined by the Remuneration Committee comprises: the Principal, the Director of Finance and Estates, the Director of External Relations, the Conservatoire Secretary, the Director of Human Resources, the Director of Academic Innovation, the Director of Drama, Dance, Production and Screen and the Director of Music.

The **Nominations Committee** receives and considers proposals for Board membership from any source and makes recommendations to the Board of Governors. The Committee monitors Board membership in terms of its agreed statement of balance of skills and attributes and equality and diversity and reports annually to the Board. The membership consists of the Chairman, Vice-Chairman, Principal, Student President, Student Vice-President, elected staff Governors and one Lay Governor.

The **Audit Committee** was established by the Board of Governors to ensure the effective discharge of its duties in respect of:

- proper financial management
- the effectiveness of the internal control and management systems
- safeguarding the Conservatoire's assets
- the economy, efficiency and effectiveness of the Conservatoire's activities
- corporate governance and the conduct of the Conservatoire's operations
- the audit needs analysis
- risk management systems

It is responsible to the Board of Governors for reviewing and advising on the appointment, fees, scope and effectiveness of internal and external auditors, for receiving their reports and discussing appropriate action with senior management and the Board of Governors in relation to the effectiveness of the Conservatoire's financial and other control systems and for ensuring that value for money is achieved and that risk management systems are in place. The Committee reviews relevant reports from the Scottish Funding Council Finance and Corporate Resources Group. The Committee advises the Governing Body on its compliance with corporate governance requirements and good practice guidance.

The current membership of the Committee consists of three Lay Governors who are not members of the Finance and General Purposes Committee and one Lay Governor who may be a member but not the Convenor of the Finance and General Purposes Committee. The Convenor of the Finance and General Purposes Committee is in attendance. Whilst the Director of Finance and Estates attends meetings of the Audit Committee, he is not a member of the Committee. Once a year the Committee formally meets with the external auditor and the internal auditor for independent discussions.

#### *Scottish Code of Good HE Governance*

The Board of Governors is compliant with all of the Code's 18 Principles and takes appropriate account of its supporting guidelines in the development and application of Conservatoire governance systems, policies and processes.

#### **Risk Control**

The Conservatoire Senior Management Team, together with one Lay Governor in attendance, forms the Risk Management Group (RMG). The RMG has responsibility for the Strategic Risk Register which is prioritised in terms of the overall net impact each identified risk has on the achievement of the business objectives of the institution. Operational risk registers are maintained at departmental level so that risks are properly identified, owned and managed at all levels of the institution. Department heads regularly attend the Risk Management Group to widen the understanding of the risk environment across the Conservatoire management teams. The Strategic Risk Register is reviewed regularly by the RMG and by the Audit Committee.

New areas of risk and/or weaknesses identified by the RMG (which reports through the Audit Committee to the Board of Governors) have been addressed. Where opportunities further to enhance the control environment have been identified, appropriate action has been defined and completion dates scheduled, so that progress can be monitored closely.

In summary, a suitable process for identifying, evaluating and managing the significant risks faced by the Conservatoire has been in place for the year under review and up to the date of approval of these financial statements. The process is regularly reviewed and accords with the guidance in the Accounts Direction for Scottish Higher Education Institutions 2015-16.

The Conservatoire's Risk Management process is compliant with the terms of the UK Corporate Governance Code.

In October each year the Board of Governors receives an Annual Report, forwarded through the Audit Committee, which reports on the process of risk management at the Conservatoire.

**Governors Statement on Annual Report and Financial Statements**

The Governors have considered the Annual Report and Financial Statements as a whole and consider them to be fair, balanced and understandable and to provide the information necessary for stakeholders to assess the Conservatoire's performance, business model and strategy.

**Institutional Sustainability**

The Board of Governors monitors and enhances institutional sustainability through a number of channels. These include:

- the setting and monitoring of budgets and future financial forecasts with the aim of producing operating surpluses year on year;
- regular reports on student recruitment and retention;
- setting targets and receiving regular progress reports on fundraising activity from the Executive;
- the establishment of a Governors' financial sustainability group to review economy, efficiency and effectiveness of operations and to constructively challenge executive management;
- the establishment of a Governors' and Executive income generation group to capture and develop ideas to diversify and grow income;
- the creation of an International Advisory Board to expand the Conservatoire's reach and fundraising potential with a particular focus on North America.

**Reserves**

The unrestricted reserves are regarded as modest in relation to the scale of the institution and it is the policy of the Board to add to this sum.

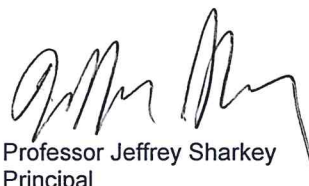
**Going Concern**

As noted in the Annual Report, the Conservatoire has produced a modest operating deficit for the year under review and the restated results for the previous year similarly now show an operating deficit. The Governors would note that there has been a negative impact on the reported results due to the changes to reporting requirements arising from FRS102. However, and as stated in Note 27 to the financial statements, there are no impacts on cash flows as a result of the transition to FRS 102. Furthermore, the Board of Governors has taken steps to ensure that a budget surplus has been planned for the forthcoming year. There are currently no borrowings and the liquidity and cash generation position as outlined in this review and in the cash flow statement and are considered to be adequate to meet the Conservatoire's future financial commitments. The Governors believe that the Conservatoire is well placed to manage its business risks successfully despite the current uncertain economic outlook and have a reasonable expectation that the Conservatoire will continue to receive adequate support from the SFC and accordingly will have sufficient resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Approved by the Governors on 28 October 2016 and signed on their behalf by



Lord Vallance of Tummel  
Chairman



Professor Jeffrey Sharkey  
Principal



## STATEMENT OF GOVERNORS' RESPONSIBILITIES

In accordance with the Companies Act 2006 and the Financial Memorandum with the Scottish Funding Council, the Governors are responsible for the administration and management of the affairs of the Royal Conservatoire of Scotland, including ensuring an effective system of internal control, and are required to present audited financial statements for each financial year which disclose a true and fair view of the state of affairs of the Conservatoire and of the surplus or deficit and cash flows for that year.

The Governors are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Conservatoire and which enable them to ensure that the financial statements are prepared in accordance with the Companies Acts, the Accounts Direction issued by Scottish Funding Council, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions effective from 1 January 2015 and other relevant accounting standards.

In causing the financial statements to be prepared, the Governors have ensured that:-

- \* suitable accounting policies are selected and applied consistently
- \* judgments and estimates are made that are reasonable and prudent
- \* applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- \* financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Conservatoire will continue in operation. The Governors are satisfied that the Conservatoire has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governors have taken reasonable steps to:-

- \* ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Council and any other conditions which they may from time to time prescribe.
- \* ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- \* safeguard the assets of the Conservatoire and hence to take reasonable steps to prevent and detect fraud and other irregularities.
- \* secure the economical, efficient and effective management of the Conservatoire's resources and expenditure, and
- \* ensure sound corporate governance and the proper conduct of the Conservatoire's operations.

The key elements of the Conservatoire's system of internal financial control, which is designed to discharge the responsibilities, set out

- \* clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments.
- \* a comprehensive short and medium-term planning process, supplemented by detailed annual income, expenditure and capital budgets.
- \* regular reviews of key performance indicators and business risks and financial results involving variance reporting and updates of forecast outturns.
- \* clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors.
- \* comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance & General Purposes Committee.
- \* the appointment of a firm of Chartered Accountants offering internal audit services, whose annual programme is approved by the Audit Committee and endorsed by the Board of Governors, provides them with a report on the internal audit activity within the Conservatoire and an opinion on the adequacy and effectiveness of the Conservatoire's system of internal controls, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

**Statement as to disclosure of information to auditors**

The Governors have taken all the necessary steps to make themselves aware, as Governors, of any relevant audit information and to establish that the auditors are aware of that information. As far as the Governors are aware, there is no relevant audit information of which the company's auditors are unaware. The Governors confirm that the auditors have not been engaged in any non-audit work during the year.

This report was approved by the Board of Governors on 28 October 2016 and signed on its behalf by:



Lord Vallance of Tummel  
Chairman



Professor Jeffrey Sharkey  
Principal



## **Independent Auditor's Report to the Board of Governors of the Royal Conservatoire of Scotland**

We have audited the financial statements of the Royal Conservatoire of Scotland (the Conservatoire) for the year ended 31 July 2016 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, the Balance Sheet, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland).

This report is made solely to the Conservatoire's Board of Governors, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the Conservatoire's Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Conservatoire, and the Conservatoire's Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board of Governors and auditor**

As explained more fully in the Statement of Governors' Responsibilities set out on page 19, the governors (who are also the directors of the Conservatoire for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Conservatoire's affairs as at 31 July 2016, and of its incoming resources and application of resources, including its income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2015 Statement of Recommended Practice: Accounting for Further and higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Governors (including the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor's Report to the Board of Governors of the Royal Conservatoire of Scotland (continued)****Opinion on other matters prescribed by the Scottish Funding Council's Financial Memorandum dated December 2014**

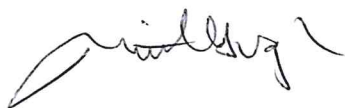
In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial memorandum and the mandatory requirements attached to the Financial Memorandum.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the Conservatoire has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Jeremy Chittleburgh BSc CA (Senior Statutory Auditor)  
For and on behalf of Chiene + Tait LLP  
Statutory Auditor  
61 Dublin Street  
Edinburgh  
EH3 6NL

31 October 2016

Chiene + Tait LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

## Statement of Comprehensive Income and Expenditure for the year ended 31 July 2016

	Note	2016 £'000	2015 £'000 <i>restated</i>
<b>INCOME</b>			
Funding body grants	2	11,381	10,662
Tuition fees and education contracts	3	8,131	7,080
Research grants and contracts	4	143	162
Other income	5	637	762
Investment Income	6	117	95
Donations and endowments	7	213	196
<b>Total Income</b>		<u>20,622</u>	<u>18,957</u>
<b>EXPENDITURE</b>			
Staff costs	8	15,479	13,910
Other operating expenses	10	4,355	4,375
Depreciation	11	880	951
<b>Total Expenditure</b>		<u>20,714</u>	<u>19,236</u>
<b>Deficit before other gains and losses</b>		(92)	(279)
Loss on disposal of fixed assets		(10)	(12)
Realised loss on investments		<u>(26)</u>	<u>(2)</u>
<b>Deficit before unrealised gains and losses</b>		(128)	(293)
Unrealised gain on investments		<u>77</u>	<u>69</u>
<b>Deficit for the year</b>		(51)	(224)
Actuarial gain/(loss) in respect of pension schemes		2,091	(1,417)
<b>Total comprehensive income for the year</b>		<u>2,040</u>	<u>(1,641)</u>
Represented by:			
Endowment comprehensive income for the year		106	74
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive income for the year		<u>1,934</u>	<u>(1,715)</u>
		<u>2,040</u>	<u>(1,641)</u>

All items of income and expenditure relate to continuing activities

## Statement of Changes in Reserves for the year ended 31 July 2016

	Share Capital	Income and Endowment	Expenditure Restricted	Reserve Unrestricted	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2014</b>	8	1,732	-	15,510	1,188	18,438
Deficit from the income and expenditure statement	-	74	-	(298)	-	(224)
Other comprehensive income	-	-	-	(1,417)	-	(1,417)
Transfers between revaluation and income and expenditure reserve	-	-	-	(24)	24	-
Release of restricted funds spent in the year	-	(80)	-	80	-	-
<b>Total comprehensive income for the year</b>	-	(6)	-	(1,659)	24	(1,641)
<b>Balance at 1 August 2015</b>	8	1,726	-	13,851	1,212	16,797
Surplus/(Deficit) from the income and expenditure statement	-	106	-	(157)	-	(51)
Other comprehensive income	-	-	-	2,091	-	2,091
Transfers between revaluation and income and expenditure reserve	-	-	-	7	(7)	-
Release of restricted funds spent in the year	-	(70)	-	70	-	-
<b>Total comprehensive income for the year</b>	-	36	-	2,011	(7)	2,040
<b>Balance at 31 July 2016</b>	8	1,762	-	15,862	1,205	18,837



Balance Sheet as at 31 July 2016  
(Company Registration No.4703)

	Note	2016 £'000	2015 £'000 <i>restated</i>
<b>Non-current assets</b>			
Tangible fixed assets	11	34,435	34,887
Investments	12	3,025	2,912
		<u>37,460</u>	<u>37,799</u>
<b>Current assets</b>			
Trade and other receivables	13	730	866
Investments	14	1,286	1,052
Cash and cash equivalents		1,807	2,590
		<u>3,823</u>	<u>4,508</u>
<b>Less: Creditors - amounts falling due within one year</b>	15	<u>(2,003)</u>	<u>(3,157)</u>
<b>Net current assets</b>		<u>1,820</u>	<u>1,351</u>
<b>Total assets less current liabilities</b>		<u>39,280</u>	<u>39,150</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(18,529)</u>	<u>(18,759)</u>
<b>Provisions</b>			
Pension provisions	22	(1,304)	(2,979)
Other provisions	17	<u>(610)</u>	<u>(615)</u>
<b>Total net assets</b>		<u>18,837</u>	<u>16,797</u>
<b>Restricted reserves</b>			
Income and expenditure reserve - endowment reserve	18	1,762	1,726
<b>Unrestricted reserves</b>			
Income and expenditure reserve - unrestricted		15,862	13,851
Revaluation reserve		<u>1,205</u>	<u>1,212</u>
		<u>18,829</u>	<u>16,789</u>
Share capital	19	<u>8</u>	<u>8</u>
<b>Total reserves</b>		<u>18,837</u>	<u>16,797</u>

The financial statements on pages 23 to 42 were approved by the Board of Governors on 28th October 2016 and were signed on its behalf on that date by:

  
Professor Jeffrey Sharkey  
Designated Officer

  
Alan Smith  
Director of Finance and Estates

  
Lord Vallance of Tummel  
Chairman



## Statement of cash flows for the year ended 31 July 2016

	Note	2016 £'000	2015 £'000 <i>restated</i>
<b>Cash flow from operating activities</b>			
Deficit for the year		(51)	(224)
<b>Adjustment for non-cash items</b>			
Depreciation		880	951
Gain on investments		(51)	(67)
Decrease in debtors		136	(67)
Decrease in creditors		(1,384)	(138)
Decrease in other provisions		(5)	(1)
Pension costs less contributions payable		416	362
<b>Adjustment for investing or financing activities</b>			
Investment income		(117)	(95)
Loss on the sale of fixed assets		10	12
Endowment Income		(78)	(25)
<b>Net cash inflow from operating activities</b>		<u>(244)</u>	<u>708</u>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets/Investments		1,196	517
Short term Investments		(234)	(189)
Investment income		117	95
Endowment funds invested		(492)	(175)
Funds invested		(762)	(285)
Payments to acquire fixed assets		<u>(442)</u>	<u>(368)</u>
		<u>(617)</u>	<u>(405)</u>
<b>Cash flows from financing activities</b>			
Endowment cash received		78	25
<b>Increase in cash and cash equivalents in the year</b>		<u>(783)</u>	<u>328</u>
Cash and cash equivalents at beginning of the year		2,590	2,262
Cash and cash equivalents at end of the year		1,807	2,590

## Notes to the Financial Statements

## 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

## a Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The Conservatoire 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 to include the investments at market value and the revaluation of certain musical instruments.

## b Tangible Fixed Assets

## 1. Land and Buildings

The Conservatoire's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings are stated in the balance sheet at cost. The main Conservatoire freehold buildings are depreciated over their expected useful economic life to the institution of 100 years. The Wallace Studios which is built on leasehold land is depreciated over its remaining useful life of 90 years (2015: 90 years).

Where land and buildings are acquired with the aid of specific grants or donations they are capitalised and depreciated as above. Where the related grants come from government bodies, there are credited to deferred income and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Where the related grants or donations come from other sources, these are recognised in the Statement of Comprehensive Income in the period in which they are receivable.

No depreciation is charged on assets under construction.

## 2. Equipment

Equipment costing less than £10,000 for a group of related items is written off to the income and expenditure account in the year of acquisition. All other equipment is normally capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

Furniture, Fittings, Fixtures and Equipment

20% per annum

## 3. Musical Instruments

Musical instruments costing less than £2,000 are written off to the income and expenditure account in the year of acquisition. All other musical instruments, with the exception of certain stringed instruments and pianos, are normally capitalised at cost.

Stringed instruments with a value of £2,000 and above were revalued as at July 2014 as assessed by Mr Adam Whone, an external professional valuation expert. These stringed instruments were originally brought onto the balance sheet at valuation, there is therefore no historical cost associated with these assets. A revaluation will be carried out again in 2019.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Capitalised musical instruments are depreciated over their useful economic life as follows:

Stringed instruments

1% per annum

Other musical instruments

10% per annum

It is not possible to disclose the historical cost and depreciation for the stringed instruments as this relates to donated items, which do not have a cost attached to them.

## c Investments

Listed investments held as fixed assets are held at fair value with movements recognised in the Surplus or Deficit for the year.

## d Cash and cash equivalents

Cash includes cash at hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## e Provisions

Provisions are recognised when the institution 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.

## Notes to the Financial Statements (continued)

## 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## f Recognition of Income

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the Conservatoire 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 Conservatoire 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.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income over the periods in which the Conservatoire recognises the related costs for which the grant is intended to compensate. Where part of a non 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.

Tuition fee and education contract income is recognised in the year to which it relates. Income from investments, including tax credits, is recognised on a receivable basis.

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the Conservatoire is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the Conservatoire is entitled to the funds.

Investment and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

There are three main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Restricted expendable endowments - the donor has specified a particular objective and the Conservatoire has the power to use the capital.
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.

## g Maintenance of Premises

The Conservatoire has a rolling long-term maintenance plan, which forms the basis of the on-going maintenance of the estate. The cost of long-term and routine corrective maintenance is charged to the income and expenditure account as incurred.

## h Pension Costs

The Conservatoire participates in three pension schemes two of which provide benefits based on final pensionable pay, the Strathclyde Pension Fund and Scottish Teachers Superannuation Scheme. Both of these schemes are available to staff of more than one employer, are contracted out of the State Earnings-Related Pension Scheme, and the assets of the schemes are held separately from those of the Conservatoire. The Funds are valued by actuaries, the rates of contributions being determined by the trustees on the advice of the actuaries. The schemes are accounted for under Financial Reporting Standard 102. The third pension scheme is a defined contribution scheme; The Universities and Colleges Retirement Savings Scheme (UCRSS). This scheme is available to all staff.

## Strathclyde Pension Fund

The scheme is a defined benefit scheme.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as at the financial year end. Pension scheme liabilities are measured using a 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 pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is taken to the income and expenditure account. The actuarial gains and losses are shown in the statement of total recognised gains and losses.

## Scottish Teachers' Superannuation Scheme

The Conservatoire also participates in the Scottish Teachers' Superannuation Scheme. The scheme is available to staff of more than one employer and it is not possible to identify each participating institution's share of the underlying assets and liabilities on a consistent and reasonable basis. Accordingly, the Conservatoire has utilised the provisions of FRS 102 whereby the contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the Conservatoire's statement of income and expenditure is equal to the contribution payable to the scheme for the relevant accounting period.

The Conservatoire also provides enhanced pensions to former employees who accepted early retirement and provision is made on an actuarial basis for the liability to those former employees at the time of their retirement.

## i Taxation Status

The Conservatoire is a charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010 and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity NO. SC015855). Accordingly the Conservatoire is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The Conservatoire receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.



## Notes to the Financial Statements (continued)

## 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## j Operating Leases

Operating Leases and the total payments made under them are charged to the Statement of Income and Expenditure on a straight line basis over the lease term.

## k Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the Conservatoire, are held as a permanently restricted fund which the Conservatoire must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in use of these funds.

## l Transition to 2015 SORP

The Conservatoire is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the results of the Conservatoire is provided in note 27.

## m Accounting Estimates and Judgements

The Conservatoire prepares its financial statements in accordance with FRS 102 as issued by the UK Financial Reporting Council, the application of which often requires judgements to be made when formulating the financial position and results. Under FRS 102, the Governors are required to adopt those accounting policies most appropriate to the circumstances for the purpose of presenting fairly the Conservatoire's financial position, financial performance and cash flows. In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Conservatoire; it may later be determined that a different choice would have been more appropriate. Management considers that certain accounting estimates and assumptions relating to the pension costs and Fixed Assets are its critical accounting estimates.

A discussion of these critical accounting estimates is provided below.

Management has discussed its critical accounting estimates and associated disclosures with its external auditors, its Finance and General Purposes Committee and its Audit Committee.

Fixed Assets

Land and Buildings at the Wallace Studios are presently depreciated over the duration of the remainder of the leasehold which is 90 years.

Pension costs

In relation to the cost associated with membership of the Strathclyde Pension Fund the Conservatoire makes estimates in relation to the assumptions which the scheme actuary applies to the annual valuation of the assets, liabilities and charges and which can have a material bearing on the figures.

Notes to the Financial Statements (continued)

2 FUNDING BODY GRANTS

	Note	2016 £'000	2015 £'000 <i>restated</i>
SFC			
Recurrent grant for teaching		10,510	9,749
Research development foundation		186	167
Research postgraduate grant		73	73
Specific initiative grants:			
Disabled student premium		52	52
Knowledge Exchange Innovations		5	-
Knowledge Transfer Grant		153	150
Deferred capital grants released in year:			
Buildings		248	239
Equipment		154	232
		<u>11,381</u>	<u>10,662</u>

3 TUITION FEES AND EDUCATION CONTRACTS

Scotland and European Union(EU) students U/G	62	60
RUK students(old fee rates) U/G	-	59
RUK students(new fee rates) U/G	1,572	1,221
Scotland and European Union(EU) students P/G	591	655
RUK students P/G	441	353
Non -EU students	2,369	2,025
UK further education students *	1,911	1,601
Registration Fees	182	167
Total fees paid by or on behalf of individual students	<u>7,128</u>	<u>6,141</u>
Higher Education contracts	988	921
Other contracts	15	18
Total	<u>8,131</u>	<u>7,080</u>

\* relates to Lifelong Learning and Junior Conservatoire programmes

4 RESEARCH GRANTS AND CONTRACTS

Miscellaneous research grants and contracts	<u>143</u>	<u>162</u>
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## Notes to the Financial Statements (continued)

	Note	2016 £'000	2015 £'000 <i>restated</i>
5 OTHER INCOME			
Income from front of house		333	303
Sundry income		135	285
European Funded Projects		17	25
RCS Works		80	59
Gaelic Masters Project		-	7
ESRC Studentships		-	14
QAA Income		8	6
Focus West project grant		64	63
		<u>637</u>	<u>762</u>
6 INVESTMENT INCOME			
Investment income on endowments		17	26
Other investment income		73	63
Bank interest		27	6
		<u>117</u>	<u>95</u>
7 DONATIONS AND ENDOWMENTS			
New endowments		78	25
Unrestricted donations		135	171
		<u>213</u>	<u>196</u>
8 STAFF COSTS			
The average number of employees expressed as full-time equivalents was:			
		2016 Number	2015 Number
Senior Management		9	9
Teaching staff		196	180
Teaching support		26	26
Research grants and contracts		6	5
Other support services		16	16
Administration and central services		63	63
Premises		37	35
Other income generating activities		2	2
		<u>355</u>	<u>336</u>
Staff costs for the above persons:			
Wages and salaries		12,507	11,277
Social security costs		895	764
Other pension costs	22	1,945	1,708
Other staff costs		132	161
		<u>15,479</u>	<u>13,910</u>
Senior Management		1,027	822
Teaching staff		9,021	7,962
Teaching support		894	797
Research grants and contracts		280	273
Other support services		863	839
Administration and central services		2,161	2,145
Premises		1,154	1,015
Other income generating activities		79	57
		<u>15,479</u>	<u>13,910</u>
Governors' salaries(included therein)			
Salaries(staff members)		399	311
Pension contributions		44	44
		<u>443</u>	<u>355</u>

The number of Governors accruing benefits under pension schemes during the year was 4 (2015: 5)

## Notes to the Financial Statements (continued)

## 8 STAFF COSTS (continued)

## Key management personnel

Key management personnel are the senior management team who have authority for planning, directing and controlling the activities of the Conservatoire. Key management personnel comprise: the Principal; Deputy Principal; Director of Finance and Estates; Director of Human Resources; Director of Academic Innovation; Director of Music; Director of Drama, Dance, Production and Screen; Director of External Relations; and the Conservatoire Secretary. Staff costs including compensation paid to key management personnel as follows:

	2016 £'000	2015 £'000
Total (including salaries, social security costs and other benefits)	1,014	817

The Chairman and other non-staff Governors received no remuneration. The Principal, who is also the highest paid Governor, received emoluments of:

	2016 £'000	2015 £'000
Principal		
Salary	136	134
Pension contributions	23	20
Benefits in kind*	3	5
	162	159
Accrued pension as at 31 July	4	2
Accrued lump sum as at 31 July	13	6

\* Benefits in kind relate to private medical insurance and to relocation costs

The number of Governors receiving emoluments (excluding pension contributions) falls into the following ranges:

	2016 Number	2015 Number
Nil	16	15
£1 - £10,000	-	2
£10,001 - £20,000	1	4
£20,001 - £30,000	1	-
£30,001 - £40,000	1	1
£40,001 - £50,000	1	1
£50,001 - £60,000	-	1
£60,001 - £70,000	1	-

The Deputy Principal served on the Board of the Scottish Funding Council and received remuneration of £11,556 during the year (2015: £11,556).

The number of other Senior Managers receiving remuneration (excluding pension contributions) above £70,000, who are not Governors, falls into the following ranges:

	2016 Number	2015 Number
£70,001 - £80,000	2	1



## Notes to the Financial Statements (continued)

## 9 TRAVEL AND SUBSISTENCE

	2016 £'000	2015 £'000
Travel and subsistence - Board members	13	11
- Staff	45	47
Hospitality	4	4
- Board members	13	15
- Staff	75	77

The total expenses paid to or on behalf of 16 Board members was £17,000 (2015 - £15,000). This represents travel and subsistence expenses and hospitality costs incurred in attending Board, Committee meetings and other events in their official capacity.

## 10 OTHER OPERATING EXPENSES

	2016 £'000	2015 £'000 <i>restated</i>
Teaching departments	1,439	1,354
Contracted-out lecturing services	312	256
Teaching support services	95	64
Other support services	401	375
Administration and central services	555	659
General education	195	202
Premises costs	560	529
Repairs, renewals and maintenance	234	282
Other income generating activities	204	390
Agency Staffing Costs	56	3
Pension Fund net interest	116	54
Other expenses	188	207
	<u>4,355</u>	<u>4,375</u>

Other operating expenses include:

	2016 £'000	2015 £'000
Auditors' remuneration		
External audit	15	13
FFELP Contract	2	2
Internal audit	15	15
Operating lease rentals	210	204

## 11 TANGIBLE FIXED ASSETS

	Freehold Buildings £'000	Leasehold Buildings £'000	Assets under Construction £'000	Furn/Fix/ Fittings/ Equipment £'000	Other Stringed Instruments £'000	Musical Instruments £'000	Total £'000
<i>Cost or valuation</i>							
At 1 August 2015	28,302	11,837	-	4,459	930	429	45,957
Additions	-	-	175	267	-	-	442
Disposals	-	-	-	(109)	-	-	(109)
At 31 July 2016	<u>28,302</u>	<u>11,837</u>	<u>175</u>	<u>4,617</u>	<u>930</u>	<u>429</u>	<u>46,290</u>
<i>Aggregate</i>							
<i>Depreciation</i>							
At 1 August 2015	6,437	941	-	3,483	29	180	11,070
Depreciation charge	283	132	-	422	9	34	880
Disposals	-	-	-	(95)	-	-	(95)
At 31 July 2016	<u>6,720</u>	<u>1,073</u>	<u>-</u>	<u>3,810</u>	<u>38</u>	<u>214</u>	<u>11,855</u>
<i>Net Book Value</i>							
NBV at 1 August 2015	21,865	10,896	-	976	901	249	34,887
NBV at 31 July 2016	<u>21,582</u>	<u>10,764</u>	<u>175</u>	<u>807</u>	<u>892</u>	<u>215</u>	<u>34,435</u>

The Conservatoire building on Renfrew Street may not be sold without the prior approval of the First Minister of the Scottish Government, to whom the Conservatoire is accountable for the proceeds of the sale.

The Alexander Gibson Opera School may not be sold without the written permission of Creative Scotland. In the event of a sale or disposal, Creative Scotland's share of the proceeds shall be in direct proportion to the share of the project costs originally met from the Lottery.

Notes to the Financial Statements (continued)

12 INVESTMENTS

	General Fund 2016 £'000	Prize Fund 2016 £'000	Piano Fund 2016 £'000	Total 2016 £'000	Total 2015 £'000 <i>restated</i>
Market value at 1 August	1,728	474	710	2,912	2,931
Additions	762	197	295	1,254	460
Disposals	(743)	(190)	(285)	(1,218)	(548)
Increase in market value	49	13	15	77	69
Market value at 31 July	<u>1,796</u>	<u>494</u>	<u>735</u>	<u>3,025</u>	<u>2,912</u>

Listed investments	2016 Market Value £'000	2016 Cost £'000	2015 Market Value £'000 <i>restated</i>	2015 Cost £'000 <i>restated</i>
Fixed interest stocks	767	685	938	932
Equities	<u>2,258</u>	<u>1,987</u>	<u>1,974</u>	<u>1,659</u>
	<u>3,025</u>	<u>2,672</u>	<u>2,912</u>	<u>2,591</u>

13 TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000 <i>restated</i>
Amounts falling due within one year:		
Trade receivables	110	141
Receivables due from students - net of provision for doubtful debts	24	82
Other receivables	137	87
Prepayments and accrued income	<u>457</u>	<u>536</u>
	<u>728</u>	<u>846</u>
Amounts falling due after one year:		
Other receivables	<u>2</u>	<u>20</u>

14 CURRENT INVESTMENTS

	2016 £'000	2015 £'000 <i>restated</i>
Short term deposits	<u>1,286</u>	<u>1,052</u>
	<u>1,286</u>	<u>1,052</u>

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

At 31 July 2016 the weighted average interest of these fixed rate deposits was 0.6% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 3 months. The fair value of these deposits was not materially different from the book value.

## Notes to the Financial Statements (continued)

## 15 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000 <i>restated</i>
Trade payables	210	121
Other creditors	164	1,412
Accruals and deferred income	1,619	1,585
Scottish Government Instrument Fund - Amounts payable to recipients	10	39
	<u>2,003</u>	<u>3,157</u>

## DEFERRED INCOME

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	2016 £'000	2015 £'000 <i>restated</i>
Donations	30	-
Grant income	406	482
	<u>436</u>	<u>482</u>

## 16 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £'000	2015 £'000 <i>restated</i>
Deferred income	18,529	18,759
	<u>18,529</u>	<u>18,759</u>

Included within deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	2016 £'000	2015 £'000 <i>restated</i>
Donations	100	-
Grant income	18,429	18,759
	<u>18,529</u>	<u>18,759</u>

## 17 PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions £'000
Balance at 1 August 2015	615
Increase in provision	40
Paid/released	(45)
Balance at 31 July 2016	<u>610</u>

A valuation of the existing pension provision was carried out at 31 July 2016 by Hymans Robertson, an independent firm of actuaries.

## Notes to the Financial Statements (continued)

## 18 ENDOWMENT FUNDS - PERMANENT

	Prize Fund Capital £'000 <i>restated</i>	Prize Fund Accumulated Income £'000 <i>restated</i>	Piano Fund Capital £'000 <i>restated</i>	2016 Total £'000 <i>restated</i>	2015 Total £'000 <i>restated</i>
Balance at 1 August 2015					
Capital	648	-	734	1,382	1,362
Accumulated income	-	174	-	174	171
	<u>648</u>	<u>174</u>	<u>734</u>	<u>1,556</u>	<u>1,533</u>
<i>Income</i>					
Funds introduced	61	17	-	78	3
Investment income	-	18	22	40	40
Gain/(loss) on sale of investments	(4)	-	(11)	(15)	-
Increase/(decrease) in value of investments	13	-	15	28	29
	<u>718</u>	<u>209</u>	<u>760</u>	<u>1,687</u>	<u>1,605</u>
<i>Expenditure</i>					
Prizes	-	(18)	-	(18)	(18)
Transfer to unrestricted reserves to meet expenditure incurred	-	-	(22)	(22)	(22)
Management fees	-	(4)	(3)	(7)	(9)
	<u>718</u>	<u>187</u>	<u>735</u>	<u>1,640</u>	<u>1,556</u>
Balance at 31 July 2015					
Represented by:					
Capital	718	-	735	1,453	1,382
Accumulated income	-	187	-	187	174
	<u>718</u>	<u>187</u>	<u>735</u>	<u>1,640</u>	<u>1,556</u>
<i>Analysis by asset</i>					
Current and non-current asset investments	<u>718</u>	<u>187</u>	<u>735</u>	<u>1,640</u>	<u>1,556</u>
	<u>718</u>	<u>187</u>	<u>735</u>	<u>1,640</u>	<u>1,556</u>

Prize Funds are held in trust and are used to make prizes to students at the Conservatoire.

The Piano Fund consists of capital gifts, the income from which contributes towards the leasing costs of the Conservatoire's fleet of pianos.

## Notes to the Financial Statements (continued)

## 18 ENDOWMENT FUNDS - EXPENDABLE

	Cunningham	Instrument	International	2016	2015
	Bequest	Fund	Chair/Fellows	Total	Total
	£'000	£'000	£'000	£'000	£'000
	<i>restated</i>	<i>restated</i>	<i>restated</i>	<i>restated</i>	<i>restated</i>
Balance at 1 August 2015					
Accumulated income	55	95	20	170	199
	55	95	20	170	199
<i>Income</i>					
Funds/capital introduced	-	-	-	-	25
Investment income	-	-	-	-	4
	55	95	20	170	228
<i>Expenditure</i>					
Transfer to deferred capital grant	-	-	-	-	(30)
Transfer to unrestricted reserves					
to meet expenditure incurred	(28)	-	(20)	(48)	(28)
Balance at 31 July 2016	27	95	-	122	170
<i>Represented by:</i>					
Accumulated income	27	95	-	122	170
	27	95	-	122	170
<i>Analysis by asset</i>					
Cash and cash equivalents	27	95	-	122	170
	27	95	-	122	170

The Cunningham Bequest is in support of opera provision over a period of 4 years.

The Instrument Fund comprises two donations which have been made to fund the purchase of two collections of brass and woodwind instruments.

The International Chair/Fellows Fund is a donation to fund an International Fellow over a period of 5 years.



## Notes to the Financial Statements (continued)

## 19 SHARE CAPITAL

	2016 £	2015 £
<u>Authorised:</u>		
15,000 Ordinary Shares of £1 each	15,000	15,000
<u>Allotted, Issued and Fully Paid:</u>		
7,284 Ordinary Shares of £1 each	7,284	7,284
<u>Allotted and Issued</u>		
300 Ordinary Shares of £1 each	300	300
	<u>7,584</u>	<u>7,584</u>

## 20 LEASE OBLIGATIONS

	Land and Buildings £'000	Musical Instruments £'000	Total £'000	2015 £'000
Future minimum lease payments due:				
Not later than 1 year	865	203	1,068	980
Later than 1 year and not later than 5 years	-	373	373	445
Total lease payments due	<u>865</u>	<u>576</u>	<u>1,441</u>	<u>1,426</u>

## 21 CAPITAL COMMITMENTS

	2016 £'000	2015 £'000
Commitments contracted at 31 July	1,846	-

## 22 PENSION COMMITMENTS

The Conservatoire's employees belong to three principal pension schemes; the Scottish Teachers' Superannuation Scheme (STSS), Local Government Pension Scheme administered by the Strathclyde Pension Fund (SPF) which are of the defined benefit type, and a defined contribution scheme - The Universities and Colleges Retirement Savings Scheme (UCRSS).

The Conservatoire also makes pension payments to former employees who have taken early retirement.

The total pension cost for the year was :

	2016 £'000	2015 £'000
Contributions to STSS	789	613
Contributions to SPF	1,115	1,050
	<u>1,904</u>	<u>1,663</u>
Increase in pension provision	40	45
	<u>1,944</u>	<u>1,708</u>

The actual cost of contributions paid by the Conservatoire during the year to the SPF was £819,000.

There were no outstanding contributions payable at 31 July 2016.

## Notes to the Financial Statements (continued)

## Scottish Teachers' Superannuation Scheme

The Royal Conservatoire participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

The Conservatoire has no liability for other employers obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme. The scheme is an unfunded multi-employer defined benefit scheme.

It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Conservatoire is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate increased from 14.9% to 17.2% on 1 September 2015 of pensionable pay. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers contribution rate.

The Conservatoires level of participation in the scheme is 0.17% based on the proportion of employer contributions paid in 2014-15.

## Strathclyde Pension Fund

The Strathclyde Pension Fund provides benefits on final pensionable salary for employees of local government and some other institutions.

The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, with the most recent comprehensive valuation being prepared as at 31 March 2014. The rates of contribution payable are determined by the Board on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme and prepare an interim valuation for the purposes of reporting under FRS 102 as at the end of July. The employer contribution rate for the period from 1 August 2015 to 31 July 2016 was 19.3% of pay. The employee contribution rate for the period from 1 August 2015 to 31 July 2016 was a variable rate dependent on the level of salary ranging from 5.5% to 9.1%

The performance of the scheme has been reported under FRS 102 as amended.

Principal actuarial assumptions at the balance sheet date:

## Financial assumptions

	2016	2015
	%	%
Future Pension increases	1.9	2.7
Future Salary increases	2.9	4.6
The Expected return on assets	2.5	3.7
Discount rate	2.5	3.7

The Conservatoire expects to contribute £815K to its defined benefit pension plans in 2016/17.

## Mortality assumptions

The remaining life expectancies used to determine benefit obligations are as follows:

	Male	Female
Current pensioners	22.1 years	23.6 years
Future pensioners	24.8 years	26.2 years

## Notes to the Financial Statements (continued)

The major categories of plan assets as a percentage of stated plan assets are as follows:

	2016	2015
	%	%
Equities	73	75
Bonds	16	12
Property	11	12
Cash	-	1

The fair value of the plan assets and the return on those assets were as follows:

## Changes in the fair value of plan assets, defined benefit obligation and net liability

	Assets	Obligations	Year ended 31 July 2016 Net Liability	Year ended 31 July 2015 Net Liability
	£'000	£'000	£'000	£'000
Fair value of employer assets	18,888	-	18,888	16,626
Present value of funded liabilities	-	21,867	(21,867)	(17,826)
<b>Opening Position as at 31 July 2015</b>	<b>18,888</b>	<b>21,867</b>	<b>(2,979)</b>	<b>(1,200)</b>
Service Cost				
Current Service Cost	-	1,115	(1,115)	(1,050)
Past service Cost	-	-	-	-
<b>Total Service Cost</b>	<b>-</b>	<b>1,115</b>	<b>(1,115)</b>	<b>(1,050)</b>
Net Interest				
Interest income on plan assets	714	-	714	680
Interest Cost on defined benefit obligation	-	830	(830)	(734)
<b>Total Net Interest</b>	<b>714</b>	<b>830</b>	<b>(116)</b>	<b>(54)</b>
<b>Total defined benefit cost recognised in income and expenditure</b>	<b>714</b>	<b>1,945</b>	<b>(1,231)</b>	<b>(1,104)</b>
Cashflows				
Plan participants contributions	272	272	-	-
Employer contributions	815	-	815	742
Benefits paid	(250)	(250)	-	-
<b>Expected closing position</b>	<b>20,439</b>	<b>23,834</b>	<b>(3,395)</b>	<b>(1,562)</b>
Re-measurements (actuarial losses)				
Changes in demographic assumptions	-	-	-	(762)
Changes in financial assumptions	-	189	(189)	(672)
Other experience	-	(178)	178	(793)
Return on assets excluding amounts included in net interest	2,102	-	2,102	810
<b>Total re-measurements recognised in other comprehensive income</b>	<b>2,102</b>	<b>11</b>	<b>2,091</b>	<b>(1,417)</b>
Fair value of plan assets	22,541	-	22,541	18,888
Present value of funded liabilities	-	23,845	(23,845)	(21,867)
<b>Closing position as at 31 July 2016</b>	<b>22,541</b>	<b>23,845</b>	<b>(1,304)</b>	<b>(2,979)</b>



## Notes to the Financial Statements (continued)

## The Universities and Colleges Retirement Savings Scheme

The Universities and Colleges Retirement Savings Scheme provides a defined contribution pension scheme which is open to all employees. The minimum pension contributions for both employer and employee is 3%. The employer will match an employees contribution up to 5%. There is no cap to the level of employee contributions into the scheme.

## 23 CONTINGENT LIABILITIES

Contingent liabilities represent items that, at 31 July 2016, are not recognised in the Balance Sheet because there is significant uncertainty at that date as to the necessity for the Conservatoire to make payments in respect of them.

	2016	2015
Guarantee to ELIA NE@XT Accelerator project	€80,000	€40,000

## 24 RELATED PARTY TRANSACTIONS

Due to the nature of the Conservatoire's operations and the composition of the Board of Governors (being drawn from public and private sector organisations in Scotland) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the Conservatoire's financial regulations and normal procurement procedures.

The Board member and the significant related party transactions with their associated organisations during the year to 31 July 2016 are detailed below:

Member	Organisation	Relationship	Nature of Transaction	Value of Transaction	
				2016	2015
Professor Kinloch	Creative Scotland	Director	Grant Received	-	£11,250
Lord Vallance	Allianz	Director of Advisory Board	Insurance Premium	£50,827	£43,430

All members above held their posts for the full year.

## 25 DISCRETIONARY AND CHILDCARE FUNDS

	Childcare £'000	Discretionary £'000	Total £'000
Balance unspent at 1 August 2015	12	3	15
Allocation Received in year	9	41	50
Expenditure	(21)	(32)	(53)
Balance unspent at 31 July 2016	-	12	12
Repayable as claw back	-	12	12

Grants for discretionary and childcare funds are available solely for students: the Conservatoire acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

## 26 SUBSIDIARY COMPANY

ISME 2016 Limited was incorporated on 9th April 2015 (Company number SC502858). This is a special purpose vehicle and a wholly owned subsidiary of the Royal Conservatoire of Scotland established to run the International Society for Music Education (ISME) conference in Glasgow which was held at the end of July 2016. Any residual surplus from the event will be split equally between ISME and ISME 2016 Ltd. The sums involved are not material and will be reflected in the financial statements for the year ended 31 July 2017.

## Notes to the Financial Statements (continued)

## 27 Transition to FRS102 and 2015 SORP

As explained in the accounting policies, these are the Conservatoire's first financial statements prepared in accordance with FRS 102 and 2015 SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, 2015 SORP based Statement of Financial Position, the Conservatoire has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the Conservatoire's financial position, financial performance and cash flows is set out in the following tables.

	At 1 August 2014	At 31 July 2015
<b>Financial position</b>	<b>£'000</b>	<b>£'000</b>
<b>Total reserves under 2007 SORP</b>	<b>3,925</b>	<b>2,479</b>
<i>Change in treatment of Non Government Grant income</i>	12,880	12,670
<i>Holiday pay accrual</i>	(99)	(78)
<i>Change in treatment of Endowments</i>	2,800	2,794
<i>Reclassification of endowment to repayable grant</i>	(1,068)	(1,068)
<b>Total effect of transition to FRS 102</b>	<b>14,513</b>	<b>14,318</b>
<b>Total reserves under 2015 SORP</b>	<b>18,438</b>	<b>16,797</b>

	Year ended 31 July 2015
<b>Financial performance</b>	<b>£'000</b>
<b>Surplus for the year ended 2007 SORP</b>	<b>271</b>
<i>Change in treatment of Grant income</i>	(240)
<i>Change in net pension interest</i>	(340)
<i>Holiday pay accrual</i>	19
<i>Movement on Endowments</i>	26
<i>Actuarial loss on Pension Schemes</i>	(1,417)
<i>Investment gains included in the STRGL under the 2007 SORP</i>	40
<b>Total effect of transition to FRS 102</b>	<b>(1,912)</b>
<b>Total comprehensive income for the year under 2015 SORP</b>	<b>(1,641)</b>

## Cash Flows

There are no impacts on cash flows as a result of the transition to FRS102.

## Royal Conservatoire of Scotland

### COMMITTEE MEMBERSHIPS

Members of main committees reporting to the Board of Governors served during the whole of the year to 31 July 2016 unless otherwise stated.

#### **Academic Board**

Principal (Convenor)  
Deputy Principal  
Directors of Schools  
Head of Information Services  
President of the Students' Union  
Director of Academic Innovation  
Vice President of the Students' Union  
Head of Research Music  
Head of Production Technology  
Head of Composition  
Head of Creative and Contextual Studies  
Head of Keyboard and Collaborative Piano  
Head of Acting  
External Member - Professor Dorothy Miell

#### **Finance and General Purposes**

Donald MacRae (Convenor)  
Chairman of the Board  
Principal  
Joyce Goodwin (to 29/4/16)  
Mark Leishman  
Eileen Mackay (to 29/4/16)  
Shonaig MacPherson (from 30/10/15)  
Gavin Reid  
Maria Taylor (from 10/6/16)

#### **Audit**

John Hylands (Convenor)  
Eileen Mackay (to 29/4/16)  
Norman Sharp  
Agnes Robson  
Maria Taylor (from 30/10/15)

#### **Buildings**

Ed Monaghan (Convenor) (from 29/1/16)  
Principal  
Chairman of the Board  
Fiona Ballantyne (from 30/10/15)  
Gavin Reid  
Donald MacRae

#### **Nominations**

Chairman of the Board (Convenor)  
Principal  
Sandy Crombie (to 2/2/16)  
John Hylands  
Eileen Mackay (to 29/4/16)  
Elected Academic Staff Governor  
Elected Support Staff Governor  
President of the Students' Union  
Vice President of the Students' Union  
Cindy Sughrue (to 29/1/16)

#### **Health and Safety**

Cindy Sughrue (Convenor) (to 29/1/16)  
Carol Main (Convenor)  
Principal  
Deputy Principal  
Director of Music  
Director of DDPS  
Director of Academic Innovation  
Director of External Relations  
Director of Human Resources  
Director of Finance and Estates  
Head of Technical Production  
President of the Students' Union  
Elected Academic Staff Governor  
Elected Support Staff Governor  
Trade union representative  
Health and Safety Adviser  
Norman Sharp  
Maria Taylor (from 23/3/16)

#### **Remuneration**

Chairman of the Board  
Sandy Crombie (to 2/2/16)  
Eileen Mackay (Convenor) (to 29/4/16)  
Donald MacRae  
Agnes Robson (Convenor) (from 30/4/16)  
Maria Taylor (from 16/9/16)

#### **Risk Management Group**

Director of Finance & Estates (Convenor)  
Principal  
Deputy Principal  
Director – School of Music  
Director – School of DDPS  
Director of Human Resources  
Conservatoire Secretary  
Director of Academic Innovation  
Director of External Relations



**Royal Conservatoire of Scotland  
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