



Royal Conservatoire
of Scotland

A Company Limited by Guarantee

Annual Report

And

Financial Statements

For the Year Ended 31 July 2018

Company Registration No.SC04703

Contents	Page
Office Bearers	3
Chairman's Foreword	4
Report of the Governors	5
Strategic Report	6-15
Governors' Report	16-17
Corporate Governance Statement	18-21
Statement of Governors' Responsibilities	22-23
Independent Auditor's Report	24-26
Group & Conservatoire Statement of Comprehensive Income and Expenditure	27-28
Group & Conservatoire Statement of Changes in Reserves	29-30
Group & Conservatoire Balance Sheet	31-32
Group & Conservatoire Statement of Cash Flows	33-34
Notes to the Financial Statements	35-50
Committee Memberships	51
Professional Advisers	52

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
Vice President	Lord Vallance of Tummel DCon (Hon RCS)
Patron of the Junior Conservatoire	Nicola Benedetti MBE DMus (Hon RCS)
Chairman of Governors	Nick Kuenssberg OBE
Principal	Professor Jeffrey Sharkey
Secretary	Ewan Hailey (until 12 September 2018)
Registered Office	100 Renfrew Street Glasgow G2 3DB

CHAIRMAN'S FOREWORD

The Royal Conservatoire of Scotland (RCS) is a distinctive and multi-disciplinary centre for performing arts learning and teaching. We are world-leading and have been in the QS Rankings Global Top Ten for performing arts education for the past three years, this year at number six. As a national institution with an international outlook, RCS is proud to contribute to the cultural life of Scotland through our commitment to excellence and inclusivity, as well as our extensive programme of more than 500 public performances a year.

The Conservatoire has enjoyed an exciting and successful year. Our outstanding graduate employment performance continues to provide compelling evidence of the excellence and relevance of our programmes. The work of the Fair Access Committee and the appointment of a board champion of equality and diversity have helped to ensure that this experience should be as accessible as possible. Imaginative approaches to fair and widening access such as the ground-breaking BA Performance in British Sign Language and English is already playing a part in effective positive change in Scotland and beyond.

We are proud to continue to achieve success and excellence in many forms. Extraordinary performances by students as outlined in the report of the governors continue to underline the calibre of our students and our teaching staff.

Positive financial results including good cash generation have been achieved as a result of prudent financial management by staff across the board.

The past year has presented a number of challenges including the uncertainties of the post-Brexit environment with its potential impact on EU students and a difficult funding environment. However we are ambitious and optimistic about the future and are focused on delivering on our aspirations to enhance the quality and diversity of students through scholarship, through developing further our collaborative programmes and by enhancing our campus through capital investment.

On behalf of the board I would like to thank Principal Jeff Sharkey warmly for his exceptional leadership both within and outside the institution. I also welcome assistant principal Dr Lois Fitch who, along with colleagues across the institution, is working to enhance teaching and research, as well as our pre-HE portfolio, including the Junior Conservatoire. My particular thanks to the Principal and his team for the successful review of the undergraduate programme and positive outcomes of the quinquennial QAA enhancement-led institutional review, as well as their work in developing international partnerships.

My grateful thanks also go to the governors and committee members for their commitment to and work on behalf of RCS. In particular I pay tribute to retiring governors Fiona Ballantyne, Dr Laura Bissell (academic staff), Catherine Jackson (support staff), Dr Anne Lorne Gillies, Gavin Reid and Will Stringer (student president for two years). At the same time I welcome Jasmine Munns (new student president). I also wish to acknowledge the significant contribution of board secretary, Ewan Hainey, who has retired after twenty years of service.

The Conservatoire has an outstanding Principal and leadership team as well as a dedicated community of full-time and part-time teaching and support staff. I thank each and every one of them for the energy, expertise and commitment they bring. Together they have made this year's achievements possible and, as a Board of Governors, we remain confident that, in their hands, the Conservatoire will continue to play a significant role in performing arts education and in the future cultural life of Scotland and beyond.



Nick Kuenssberg OBE
Chairman

REPORT OF THE GOVERNORS

The Governors present their report together with the financial statements for the year ended 31 July 2018.

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 of 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:

- Disciplinary excellence and innovative cross-disciplinary collaboration;
- Inclusivity, diversity and individuality;
- 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.

Progress towards achieving the objectives set out in its strategic plan over the past year is outlined in the following sections.

Driving focused excellence

The BEd in Music programme, previously delivered in partnership with the University of Glasgow, was brought completely in-house for session 2017-18. The review of all undergraduate programmes concluded successfully in Spring 2018. The Conservatoire again fared well in the QS world rankings and has now ranked in the top 10 performing arts institutions in each of the past three years. However, the National Student Survey results showed a decline (2017: 88%; 2018: 75%) and action plans are being prepared to address issues raised.

An appointment has been made to the new role of Assistant Principal which will provide academic leadership for the curriculum in learning, teaching, research and knowledge exchange as well as ensuring robustness of the Conservatoire's quality assurance and enhancement policies and procedures. A new appointment has also been made to head up the junior conservatoire to develop further this vital part of the institution's activities.

The Conservatoire underwent the quadrennial visit from the QAA – the Enhancement-Led Institutional review and received the highest rating of 'effective'.

Success in international competitions and awards continue to provide an important benchmark of the quality of the institution's students and teachers. Congratulations are due to alumni Laura Donnelly who won Best Actress at the 2018 Olivier Awards, Sean Shibe who won the Young Artist Award from the Royal Philharmonic Society and Svetlana Stoyanova who won the 2017 Neue Stimmen International Singing Competition in Berlin.

Digital streaming capability has been installed in the Stevenson Hall and Ledger Recital Room which allows live streaming and recording of performances and events to a wider public.

A number of high profile collaborations with the national companies took place including *Beethoven's Ninth Symphony* with the BBC SSO and *The Fiery Angel* Scottish Opera. Third year ballet students also joined Scottish Ballet's Autumn Season tour.

Promoting Equality and Diversity

It was gratifying to see the first cohort of the BA in British Sign Language, an English cohort, graduate in 2018 and to have a healthy number of high quality applications for the new intake. The Conservatoire is grateful to the Scottish Funding Council for its continuing support of this ground-breaking programme. The final year performance tour of 'Love and Information' incorporated workshops with deaf communities and question and answer sessions with audiences around Scotland. The Scottish Government BSL National Plan was launched from RCS in October 2017.

The Royal Conservatoire of Scotland is committed to ensuring that people with talent and potential in the performing arts from the most marginalised communities in Scotland have an equal chance to access the range of programmes offered by the Conservatoire. Our work reflects the ambitions and targets set by the Scottish Government and the Scottish Funding Council for widening access to higher education for young people from the 20% most disadvantaged areas of Scotland and those who are care experienced.

The Fair Access Committee has overseen the development of a Fair Access Plan which sets out RCS' vision, ambitions, objectives and targets to 2020-21. Highlights this year include the launch of: *Transitions 7-11* which recruits young people between the ages of 7 and 11 living in the 20% most disadvantaged areas of Scotland, to study either music or dance. The North East Arts Hub in Aberdeenshire in partnership with Aberdeenshire Council. Our corporate parenting plan and establishing a dedicated area for care experienced applicants on our website: https://www.rcs.ac.uk/fair_access/widening-access-creative-industries/corporate-parenting/what-is-a-corporate-parent/. A review has also been undertaken on the application of our contextualised admissions policy with areas identified for further improvement.

We reserve a proportion of the budget to enable staff and students to bid for funds to develop an initiative that promotes equality and diversity within or beyond the Conservatoire. It was possible to support a number of high quality submissions, exploring through various media a wide range of equality and diversity issues. A Safe Space initiative has also been launched which reinforces the Conservatoire's commitment to promoting dignity and respect in the working environment.

Advancing Life Long Learning

Further analysis has been undertaken across the pre-Higher Education (HE) activities to evaluate the portfolio, the purpose of the various strands and their alignment with HE programmes where appropriate. Specifically, the summer schools portfolio was re-focused; more detailed, bespoke content delivered for Transitions students; and the Junior Conservatoire (Music) leadership structure implemented.

Strings and dance tuition continued to develop at Dumfries House and pre-juniors dance programme delivered in partnership with Dance Base in Edinburgh completed its first year of operation. A new Arts Hub has been established in Fraserburgh in partnership with Aberdeenshire Council offering activities ranging from junior traditional music to film-making and provision of CPD for local arts practitioners.

Grant funding has been secured from the Scottish Government for the provision of training in music education to primary school teachers.

Embracing our role as a national and international performing arts institution

The membership of the International Advisory Board has expanded and undertakes valuable work to promote the Conservatoire and to develop fundraising capacity in North America.

The Conservatoire presented a production of *Spring Awakening* in collaboration with Dundee Rep, touring to that city for the first time.

International partnerships have been strengthened through signing memoranda of understanding with University of Southern California Thornton School of Music, The Royal Conservatory of The Hague and Xinghai Conservatory of Music in China. These agreements between them will foster student and staff exchanges, curricular and artistic collaboration co-delivery of learning activities and global recruitment opportunities. The Erasmus Scheme with the Liszt Academy of Music in Budapest and the Royal Conservatory of the Hague concluded this year as did the project with the Rachmaninov State Conservatory in Rostov which involves a number of staff and student exchanges between the institutions.

The Conservatoire hosted a number of international conferences this year including: world federation of international music competitions, an international symposium on traditional music pedagogies in partnership with Celtic Connections and UNESCO City of Music, the E: UTSA General Assembly (exchange platform for European theatre students) and METRIC (Modernising European Higher Music Education through Improvisation).

The Conservatoire presented *Last Futures*, a large-scale performance event and exhibition at Tramway together with the Glasgow School of Art, the University of Glasgow and the BBC which celebrated and questioned the socio-political movements which made 1968 a year that changed history.

Creative Conversations were hosted at the Edinburgh International Festival in partnership with the Festival and the University of Edinburgh.

The annual student showcase event in New York has been developed into an Industry Week which allows graduating students to work with casting directors and other professionals to help them prepare further for entry into the profession.

Conservatoire students and staff were also involved with the National Youth Orchestra of Scotland at the European Championships in presenting a concert in George Square in Glasgow which was beamed to co-host city, Berlin.

In Research and Knowledge Exchange, additional capacity has permitted the Conservatoire to make a step change to its support for innovation and entrepreneurial education, with this bearing fruit in a member of staff becoming the recipient of Conservatoire's first RSE Enterprise Fellowship and one of two Conservatoire staff semi-finalists in Converge Challenge. A programme of enterprise events was piloted on a small scale in November 2017, achieving over 180 attendances, and will be embedded from Academic Year 18-19; November 2017 also saw the release of *Movers and Shakers*, a publication exploring and celebrating the Conservatoire's enterprising graduates. We have also broadened the scope and range of our research and KE awards programme for staff, the Athenaeum Awards, in order to seed further research and innovation and develop a pipeline of projects, partnerships and propositions. Finally, in the course of Academic Year 17-18, the Conservatoire was admitted as a full member of the Scottish Graduate School for the Arts and Humanities Doctoral Training Partnership, meaning that from September 2019 Conservatoire students will have access, for the first time, to a competition for prestigious Arts and Humanities Research Council studentships.

Outcome Agreements

Outcome Agreements are intended to set out what higher education institutions plan to deliver in return for their funding from the 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 understanding of the specific needs and aspirations of the Conservatoire, which is unique in the context of Scottish higher education. The Conservatoire welcomed the SFC's decision to extend funding for a further three years from 2018-19 for the BSL in Performance and English, which will allow the Conservatoire to build upon the outstanding success of the first graduating cohort this year. SFC has also agreed to embed funding within core recurrent grant thereafter.

The Board of Governors approves both the Outcome Agreement and the associated annual self-evaluation report prior to submission to SFC.

The Conservatoire's 2017-18 Outcome Agreement and associated progress report can be found at:

https://www.rcs.ac.uk/about_us/aboutus/strategy-annual-accounts/

Future prospects

Academic developments

2018-19 will see the introduction of the new undergraduate curriculum. Action plans are being developed to enhance the student experience, particularly in relation to feedback, assessment and communications. Further work is being undertaken to identify the most appropriate foundation programme offering with a model being trialled in Continuing Education in 2018-19 with the University of Glasgow.

Work has commenced on the review of postgraduate portfolio which will be undertaken over the next two years. The postgraduate review is an opportunity to develop a distinctive graduate experience and build on the inter-disciplinary aspects already established at undergraduate level and to develop further skills which will make graduates 'industry-ready'. An MFA option as an extension to the Masters in Musical Theatre and Classical and Contemporary Text programmes is being developed, as is Masters in Performance and Ecology.

A review is being undertaken of the Academic committees to rationalise the structure and improve clarity of purpose.

In the increasingly diverse pre-HE landscape a review is underway to re-focus on disciplinary excellence and to ensure that links with, and pathways to, HE provision are working as effectively as possible.

Systems and infrastructure

The second phase of the new pre-HE administration system is underway which will improve the learner management functionality.

A second server room capability is under construction at the Wallace Studios which will build IT resilience through improved back up and capacity to reduce systems downtime.

The Conservatoire achieved Cyber Essentials Plus accreditation during the year. This will become an annual assessment and the Conservatoire will continue to focus on cyber security across its network. At the same time wireless capacity across the institution is being expanded to meet demand.

A new contact and fundraising database is being implemented which will integrate more effectively with the box office system.

Estates

An interim strategy to 2020 has been approved by the Board. This focuses on:

- Monitoring the delivery of a student accommodation development at Dunblane St with which the Conservatoire has entered an agreement for lease;
- A review of the space utilisation of the existing estate to seek to use it more effectively;
- Development of the Alexander Gibson Opera School to improve student social and informal learning space;
- Seeking opportunities to further develop the Wallace Studios;
- Sustainability and carbon initiatives including feasibility studies into solar power and rainwater harvesting schemes.

At the same time consideration is being given to longer term estate development needs, recognising fully the uncertainties created by Brexit.

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, Well-being and Child Protection

The Conservatoire continues to develop its policies and procedures for health, well-being and child protection with support from the NSPCC. This year we achieved the 'Healthy Body Healthy Mind Award' for our work in support for students with mental health issues. This has provided a platform from which to launch our new initiatives on mental health support. We have introduced a new website which provides mental health support for staff and students. This has been well received with an increased uptake. We have a new employee assistance provider which also supports staff and students with counselling and other support. Mental Health first aid training continues to be provided for key staff and for representatives of the Students' Union and mental health awareness training is available on-line for all staff.

The Conservatoire, having been awarded a Bronze Award from NHS Scotland Healthy Working Lives continues to work towards a Silver Award. The Conservatoire is also a Cycle Friendly employer.

Financial ResultsFinancial SummaryConservatoire Results

	2018 £'000	2017 £'000
Income	23,668	22,339
Expenditure	<u>23,195</u>	<u>21,649</u>
Surplus before other gains and losses	473	690
Loss on disposal of fixed assets	(8)	(7)
Realised gain on investments	<u>6</u>	<u>53</u>
Surplus before unrealised gains and losses	471	736
Unrealised gain on investments	<u>92</u>	<u>198</u>
Surplus for the year	<u>563</u>	<u>934</u>
Capital expenditure	<u>379</u>	<u>2,172</u>
Cash and cash equivalents	<u>3,645</u>	<u>2,970</u>
Net current assets	<u>4,119</u>	<u>3,197</u>
Pension asset	<u>3,412</u>	<u>921</u>

The surplus for the year before unrealised gains and losses is £471,000 (2017: a surplus of £736,000).

The position relating to the Conservatoire's involvement in Strathclyde Pension Fund is a net pension asset at 31 July 2018 of £3,412,000 (2017: £921,000). The increase in the asset value 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 1i and note 23 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 2018 was £4,984,000 (2017: £4,297,000).

Group Results

The Group results including the financial results of wholly owned subsidiary ISME2016 Limited are Income of £23,669,000 (2017: £22,726,000) and expenditure of £23,196,000 (2017: £22,039,000) resulting in an overall surplus for the year of £563,000 (2017: £931,000). The Group net current assets are £4,116,000 (2017: £3,193,000) and cash in hand is £3,645,000 (2017: £4,358,000).

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. The total return across the managed portfolios for the year was as follows:

Benchmark	Total Return	Over/(Under) Performance
%	%	%
7.2	6.4	(0.8)

The Board of Governors has taken the decision to divest from direct investment holdings in oil, gas and mining stocks and is currently considering an appropriate means through which to invest a proportion of the portfolios in renewables. This is illustrative of the Conservatoire's wider engagement with, and commitment to, the sustainability and carbon reduction agenda.

Risks and Uncertainties

Strategic Risks

The Board of Governors has adopted a Risk Appetite Statement which defines risks that the Conservatoire is willing and prepared to take, risks that the Conservatoire needs to reduce and risks that the Conservatoire is not willing to accept. In addition the Risk Appetite Statement:

1. Provides guidance on the categorisation of risks inherent in existing and new activities;
2. Identifies the risk boundaries, where, if the risk were to crystallise, the impact is adverse and not acceptable;
3. Supports a comprehensive analysis of the risk across the RCS, promoting awareness and understanding of how the risks inter-relate; and
4. Provides a consistent methodology for examining risks and identifying risks that have to be taken to achieve the strategic objectives.

The Conservatoire has identified key risks associated with the achievement of the strategic plan and determined the institutional risk appetite within a number of categories as follows:

Category	Risk Appetite
Compliance and adherence to statute, regulations and professional standards	Zero
Development of learning and teaching and research	High
International development and growth	Medium
Student experience	Low
Reputation	Low
Financial stability and flexibility	Low
People and culture	Medium
Major events	Low
Physical environment	Medium

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.

The higher risk areas within the corporate risk register are regarded as being:

Meeting growth targets for HE student recruitment

The Conservatoire continues to focus on setting ambitious but achievable targets for student recruitment and constructs its budget with as much contingency for a shortfall as possible in a challenging financial environment. The student recruitment group sets strategy and monitors progress and promotes an 'All Conservatoire' effort as far as recruitment is concerned, deploying key academic staff as much as possible in the process. Through fundraising efforts both from Trusts, Foundations and individual supporters and the International Advisory Board, the sums available annually for scholarship support of students continues to grow. The curriculum reviews of undergraduate and postgraduate provision

provide the opportunity for the Conservatoire to continue to provide programmes which are at the leading edge of performing arts training and which remain attractive to prospective students.

The Conservatoire is engaging with the Scottish Government priority of providing better opportunities for students from marginalised backgrounds with a particular emphasis on those from SIMD 20. This is through its extensive pre-HE programmes and the development of Hubs in other parts of the country with the ultimate aim of achieving a higher conversion rate at undergraduate level.

Brexit

The Conservatoire has been modelling a number of scenarios about the possible impact of Brexit on student recruitment. Although the timing of changes to fee status for EU students is uncertain, the impact of student recruitment from that sector, particularly in music, could be material. Therefore the RUK and international markets are being cultivated by building links with specialist schools and development of international partnerships. At the same time the Conservatoire is advocating for some continued financial support in the future for EU performing arts students.

Dunblane Street student accommodation development

The timeline for the completion of the development is ambitious and the project is being carefully monitored by the Conservatoire to ensure that any delay is notified as early as possible and that contingency arrangements are put in place by the developer to ensure that RCS are appropriately accommodated.

Maintaining Financial Sustainability in the longer term

The Board continues to aim to generate a budget surplus year on year. This has been achieved in recent years through continued growth in student numbers, the generation of income from other sources such as Theatre Tax Relief and additional support from the RCS Endowment Trust and general constraint on expenditure budgets. The prospect of a significant uplift in employers' costs for the Scottish Teachers Superannuation Scheme is of major concern at this time as it would add a considerable cost burden. The Conservatoire continues to pursue the case with Scottish Government and SFC for enhanced funding while at the same time trying to widen the fundraising base and to continue to attract a diverse population of international students.

Changes to Scottish and UK HE Policy

The changes to the requirements for submission to REF 2020 present considerable risks for the Conservatoire. The proposals on submission criteria adversely impact small specialist institutions with a high volume of part time staff which could result in a reduced overall rating. The Guidelines for Submission are in final consultation draft and are due to be published in 2019. Together with other performing arts institutions, the Conservatoire continues to make representations around the criteria for staff inclusion and to plan internally across the Schools and with Human Resources to ensure that the necessary requirements can be met. The current review of HE funding in England is also being monitored as the outcome is likely to have an impact on future funding policy in Scotland.

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.

	2017-18	2016-17
Income growth and diversity		
Surplus before other unrealised gains and losses as a percentage of turnover	2.0%	3.3%
Surplus before other unrealised gains and losses	£471K	£736K
Group Surplus before other unrealised gains and losses	£471K	£733K
Financial forecast operating surplus (based on FRS 102)		
2018-19	£185K	£(17)K
2019-20	£(50)K	£(268)K
2020-21	£(303)K	N/A
Percentage of funding		
SFC	51%	52%
Undergraduate and postgraduate tuition fees	31%	30%
Junior Conservatoire and Short course tuition fees	10%	10%
Box Office and letting	2%	2%
Donations and other income	6%	6%
Infrastructure		
Capital Investment as % of insurance value	0%	1%
Building condition		
Category A – as new	63%	61%
Category B – completely fit for purpose	31%	35%
Category C – in need of improvement	6%	4%
UG and PG Applicant demand, student achievement and satisfaction		
Applicants:		
Scottish	1,405	1,391
EU	608	617
RUK	1,291	1,291
International	771	759
Total	4,075	4,058
Students:	No %	No %
Scottish	615 51	592 52
EU	165 13	143 12
RUK	234 19	233 20
International	200 17	177 16
Total	1,214 100	1,145 100
Applications: offers : acceptances	8.9: 1.6: 1	8.8: 1.6: 1
Percentage of applicants with a declared disability	16%	14%
Percentage of undergraduate and postgraduate students with a declared disability	25%	36%
Scots undergraduate applicants from SIMD 20/40 as percentage of total Scots applicants	25%	25%
Scots undergraduate entrants from SIMD 20/40 as percentage of total Scots entrants	28%	28%
Scots undergraduates from SIMD 20/40 as percentage of total Scots undergraduates	28%	28%
Student Achievement Rate ¹	93%	94%

	2017-18	2016-17
Course Completion Rate ²	78%	84%
External engagement		
National Student Survey overall satisfaction rating	77%	88%
HESA Destination of leavers percentage in work or further study	96%	94%
Number of internally generated student performances	448	437
Audience number	50,059	54,954
Audience number as a percentage of capacity	61%	62%

¹The 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.

²The 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 2018 represented 10% of total purchases for the year, equivalent to 37 creditor days. No interest was paid in terms of the Late Payments of Commercial Debts (Interest) Act 1998.

APPROVED BY THE GOVERNORS ON 2 NOVEMBER 2018 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg OBE
Chairman



Professor Jeffrey Sharkey
Principal

GOVERNORS' REPORT***Honorary doctorates of the Royal Conservatoire of Scotland***

The following received honorary doctorates during the academic session 2017-18:

Doctor of Music

Karen Cargill
Thea Musgrave CBE

Doctor of Drama

Bonnie Greer OBE
Peter Mullan

Governors

The Governors set out in the table below have held office during the whole of the period from 1 August 2017 to the date of this report unless otherwise noted.

Lay Governors

Nick Kuenssberg OBE (Chairman)
Mrs Fiona Ballantyne OBE (resigned 29 June 2018)
Professor Norman Gillies OBE
Dr Anne Lorne Gillies (resigned 31 August 2018)
Mr John Hylands (Vice Chairman and Senior Lay Governor)
Ms Tari Lang
Mr Mark Leishman CVO
Dr Shonaig MacPherson CBE (resigned 28 September 2017)
Professor Donald MacRae OBE
Ms Carol Main MBE
Ms Sharon Mair
Sir Jonathan Mills
Mr Ed Monaghan
Mr Mark Paris
Mr Gavin Reid (resigned 27 April 2018)
Mrs Agnes Robson
Professor Norman Sharp OBE
Ms Maria Taylor
Ms Colleen Toomey

Governors ex officio

The Principal:
Professor Jeffrey Sharkey

The President, Students' Union:
Ms Jasmine Munns (appointed 1 August 2018)
Mr Will Stringer (resigned 29 July 2018)

The Vice President, Students' Union
Mr Aiden Teplitzky (from 27 October 2017)

Nominated by Academic Board
Ms Jean Sangster

Staff Governors-elected

Dr Laura Bissell (Academic Staff) (resigned 29 June 2018)
Mrs Catherine Jackson (Support Staff) (resigned 27 October 2017)
Mr Nicholas Olsen (appointed 26 January 2018)

The Register of Governors' interests can be viewed on the website at
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

Dr Laura Bissell	60 ordinary shares of £1
Mr Nicholas Olsen	60 ordinary shares of £1
Mr Nick Kuenssberg OBE	60 ordinary shares of £1
Professor Jeffrey Sharkey	60 ordinary shares of £1
Ms Jasmine Munns	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 2 NOVEMBER 2018 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg OBE
Chairman



Professor Jeffrey Sharkey
Principal

CORPORATE GOVERNANCE STATEMENT

A revised Scottish Code of Good Higher Education Governance was published in 2017 which replaced the 2013 Code. Academic year 2017-18 is considered a transitional year for compliance with the 2017 Code.

In the opinion of the Board of Governors, the Conservatoire complies with all of the principles and provisions of the 2013 Scottish Code of Good Higher Education Governance and is still working to ensure compliance with the 2017 Code. Areas of the 2017 Code where there remains non-compliance are:

1. Para 20: Formulate rules for eligibility to stand for election as Chair
2. Para 59: Develop election rules for the Chair

The rules for eligibility to stand for election as Chair have not yet been drafted. The Conservatoire is currently working on updating its constitutional documents to effect the requirements of the Higher Education Governance (Scotland) Act 2016. The election rules for Chair will emerge from that process which is expected to be concluded by 31 July 2019. This will have no impact on the timescale for the introduction of the election process.

All Governors are made aware of the Governor Development Programme offered by the Leadership Foundation for Higher Education. In 2017-18 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.

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 47% female and 53% male of lay governors (45% female: 55% male of all governors). During the year the Governors were invited to submit details of protected characteristics which will be considered on an anonymized basis by the Nominations Committee so as to inform future recruitment to the Board.

Size and Composition of the Board

As of the date of this report, the Board of Governors comprises of 23 Governors – 17 Lay Governors, 2 ex officio and 4 elected/nominated. Board membership is given at page 16 of this report. The Conservatoire's Order of Council specifies that the number of Lay Governors should be not less than 11 and not more than 19. There are a number of factors that influence the size and composition of the Board – some of which are, we believe, unique to the Conservatoire. Most obviously, and in common with all other HEIs, the Board needs to ensure that the skills and experience profile of its total membership is sufficient to meet the Board's commitments in terms of its Statement of Primary Responsibilities and to operate its various Committees. As a national institution with an international reach, the Board also seeks to recruit Governors from the length and breadth of Scotland and, in support of the Conservatoire's international profile and ambitions, from out with Scotland. The Board also believes that, in the context of the Conservatoire's singular focus on the performing arts, that its membership should include Governors with either direct experience of performance or with leadership/senior management experience in the performing arts. In combination, these factors mean that the number of Lay Governor members of the Conservatoire's Board has always been closer to the maximum number permissible of 19 rather than the minimum number of 11.

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 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 22 and 23.

The Board of Governors may delegate any of its powers to any committee of one or more Governors. The Board 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 51. All of these committees are formally constituted with terms of reference. Five of these committees are particularly important in ensuring that the Conservatoire meets its various governance commitments.

The **Academic Board** is responsible to the Board of Governors for the overall planning, co-ordination, development and supervision of the academic work and for Quality Assurance and Quality Enhancement within the Conservatoire. The membership comprises the Principal, the Assistant Principal, the Senior Academic Managers, the Head of Information Services, a member co-opted from another academic institution, three elected student members and five elected academic staff members.

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, Assistant Principal, the Director of Finance and Estates, the Director of External Relations, the Conservatoire Secretary, the Director of Human Resources, the Director of Fair Access, the Director of Drama, Dance, Production and Film and the Director of Music.

Policy for setting remuneration of senior staff

The purpose of the policy is to ensure that the pay and reward arrangements for senior staff are fair in relation to other staff within the Conservatoire, whilst at the same time offering a reward that will recruit, retain and motivate key staff.

The performance of the Principal is subject to an annual appraisal by the Chairman and takes account of the Conservatoire's plans and achievements. The Chairman takes soundings from Board members including staff and students to ensure that a rounded view of performance is obtained. The resulting performance evaluation is reported to and agreed by the Remuneration Committee before it considers the Principal's salary.

The Principal will recommend to the Remuneration Committee salary increases for senior staff and in doing so will demonstrate that consideration has been given to: an assessment of the performance of the individual, data supplied by the Director of Human Resources on salary benchmarking for the Conservatoire/Public Sector as appropriate and the Conservatoire pay award.

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 Union President, one elected staff Governor and two Lay Governors appointed by the Board of Governors.

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, one external member 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.

Annual Review of Effectiveness

The 2017/18 Board of Governors' annual effectiveness review indicated that 100% of Governors agreed with the statement that the role and responsibilities of the Board were clear. Issues identified related to the practical operation of the Board, and included agenda management and presentation of papers. Action taken in response to the effectiveness review includes:

- Clearer focus on the discussion of strategic issues flagged as such in the agenda;
- Better use of KPIs, especially in terms of external benchmarking;
- More effective presentation of papers, with an opportunity for pre-meeting dialogue with paper author;
- A review of the Board's skills matrix and size of the Board in that context;
- The introduction of a number of extra-Board activities to better engage Governors in the life of the Conservatoire.

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, the Audit Committee and the Board.

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

The Internal Auditors of the Conservatoire assess the adequacy and effectiveness of the organisational governance, risk management, internal controls and value for money. Any recommendations as a result of the internal audit are reviewed and planned into future strategic planning.

In October each year the Board of Governors receives an Annual Report, forwarded through the Audit Committee, which reports on the process of internal controls and 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:

- Strategic planning;
- 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;
- Expansion of fundraising capacity;
- Following through the recommendations of a short-life Governors' and Executive income generation group to deliver ideas to diversify and grow income;
- Appointment of a business development director;
- 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 available 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 in order to enhance the financial resilience of the Conservatoire.

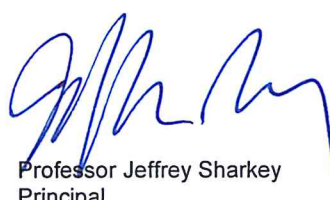
Going Concern

As noted in the Annual Report, the Conservatoire has produced an operating surplus for the year under review and is planning for a modest budget surplus for the forthcoming year. There are currently borrowings of £1,550,000, however the liquidity and cash generation position as outlined in this review and in the cash flow statement 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 2 NOVEMBER 2018 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg OBE
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 preparing the financial statements, 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 whilst the auditors have been engaged in non-audit work during the year, sufficient safeguards have been implemented from the audit firm to ensure that the independence of the audit was not compromised.

THIS REPORT WAS APPROVED BY THE GOVERNORS ON 2 NOVEMBER 2018 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg OBE
Chairman



Professor Jeffrey Sharkey
Principal

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

We have audited the financial statements of the Royal Conservatoire of Scotland (the Conservatoire) and its subsidiary for the year ended 31 July 2018 which comprise the Group and Conservatoire Statements of Comprehensive Income, Group and Conservatoire Statements of Changes in Reserves, the Group and Conservatoire Balance Sheets, Group and Conservatoire Statements of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the group's and of the Conservatoire's affairs as at 31 July 2018, and of the group's and the Conservatoire's 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, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- 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).

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

**Independent Auditor's Report to the Board of Governors of the Royal Conservatoire of Scotland
(continued)****Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- The Report of the Governors (including the Strategic Report) report has been prepared in accordance with applicable legal requirements.

Opinion on other matters prescribed by the terms of our engagement

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 requirements attached to the Financial Memorandum.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the Conservatoire and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Governors (including the Strategic Report).

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

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

Responsibilities of the Board of Governors

As explained more fully in the Statement of Governors' Responsibilities set out on pages 22 and 23, the Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

**Independent Auditor's Report to the Board of Governors of the Royal Conservatoire of Scotland
(continued)**

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

Use of our report

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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

7 November 2018

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

Group Statement of Comprehensive Income and Expenditure for the year ended 31 July 2018

	Note	2018 £'000	2017 £'000
INCOME			
Funding body grants	2	12,035	11,669
Tuition fees and education contracts	3	9,700	8,897
Research grants and contracts	4	59	72
Other income	5	1,021	1,283
Investment Income	6	148	127
Donations and endowments	7	706	678
Total Income		23,669	22,726
EXPENDITURE			
Staff costs	8	17,454	16,164
Other operating expenses	10	4,872	5,030
Depreciation	11	870	845
Total Expenditure		23,196	22,039
Surplus before other gains and losses		473	687
Loss on disposal of fixed assets		(8)	(7)
Realised gain on investments		6	53
Surplus before unrealised gains and losses		471	733
Unrealised gain on investments	12	92	198
Surplus for the year		563	931
Actuarial gain in respect of pension schemes	23	3,153	2,732
Total comprehensive income for the year		3,716	3,663
Represented by:			
Endowment comprehensive income for the year		83	150
Restricted comprehensive income for the year		116	268
Unrestricted comprehensive income for the year		3,517	3,245
		3,716	3,663

All items of income and expenditure relate to continuing activities

Conservatoire Statement of Comprehensive Income and Expenditure for the year ended 31 July 2018

	Note	2018 £'000	2017 £'000
INCOME			
Funding body grants	2	12,035	11,669
Tuition fees and education contracts	3	9,700	8,897
Research grants and contracts	4	59	72
Other income	5	1,020	896
Investment Income	6	148	127
Donations and endowments	7	706	678
Total Income		23,668	22,339
EXPENDITURE			
Staff costs	8	17,454	16,164
Other operating expenses	10	4,871	4,640
Depreciation	11	870	845
Total Expenditure		23,195	21,649
Surplus before other gains and losses		473	690
Loss on disposal of fixed assets		(8)	(7)
Realised gain on investments		6	53
Surplus before unrealised gains and losses		471	736
Unrealised gain on investments	12	92	198
Surplus for the year		563	934
Actuarial gain in respect of pension schemes	23	3,153	2,732
Total comprehensive income for the year		3,716	3,666
Represented by:			
Endowment comprehensive income for the year		83	150
Restricted comprehensive income for the year		116	268
Unrestricted comprehensive income for the year		3,517	3,248
		3,716	3,666

All items of income and expenditure relate to continuing activities

Group Statement of Changes in Reserves for the year ended 31 July 2018

	Share Capital	Income and Endowment	Expenditure Restricted	Reserve Unrestricted	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2016	8	1,762	-	15,862	1,205	18,837
Surplus from the comprehensive income and expenditure statement	-	150	268	513	-	931
Other comprehensive income	-	-	-	2,732	-	2,732
Transfers between revaluation and income and expenditure reserve	-	-	-	(59)	59	-
Release of restricted funds spent in the year	-	(57)	(43)	100	-	-
Total comprehensive income for the year	-	93	225	3,286	59	3,663
Balance at 1 August 2017	8	1,855	225	19,148	1,264	22,500
Surplus from the comprehensive income and expenditure statement	-	83	116	364	-	563
Other comprehensive income	-	-	-	3,153	-	3,153
Transfers between revaluation and income and expenditure reserve	-	-	-	(32)	32	-
Release of restricted funds spent in the year	-	(30)	(75)	105	-	-
Transfers between Prize Fund and Unrestricted Reserve	-	(14)	-	14	-	-
Total comprehensive income for the year	-	39	41	3,604	32	3,716
Balance at 31 July 2018	8	1,894	266	22,752	1,296	26,216

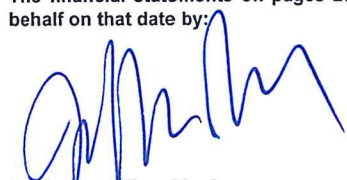
Conservatoire Statement of Changes in Reserves for the year ended 31 July 2018

	Share Capital	Income and Expenditure Reserve			Revaluation Reserve	Total
	£'000	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2016	8	1,762	-	15,862	1,205	18,837
Surplus from the comprehensive income and expenditure statement	-	150	268	516	-	934
Other comprehensive income	-	-	-	2,732	-	2,732
Transfers between revaluation and income and expenditure reserve	-	-	-	(59)	59	-
Release of restricted funds spent in the year	-	(57)	(43)	100	-	-
Total comprehensive income for the year	-	93	225	3,289	59	3,666
Balance at 1 August 2017	8	1,855	225	19,151	1,264	22,503
Surplus from the comprehensive income and expenditure statement	-	83	116	364	-	563
Other comprehensive income	-	-	-	3,153	-	3,153
Transfers between revaluation and income and expenditure reserve	-	-	-	(32)	32	-
Release of restricted funds spent in the year	-	(30)	(75)	105	-	-
Transfers between Prize Fund and Unrestricted Reserve	-	(14)	-	14	-	-
Total comprehensive income for the year	-	39	41	3,604	32	3,716
Balance at 31 July 2018	8	1,894	266	22,755	1,296	26,219

Group Balance Sheet as at 31 July 2018
(Company Registration No.SC04703)

	Note	2018 £'000	2017 £'000
Non-current assets			
Tangible fixed assets	11	35,249	35,753
Investments	12	3,666	3,234
		<u>38,915</u>	<u>38,987</u>
Current assets			
Trade and other receivables	13	1,116	791
Investments	14	1,339	1,327
Cash and cash equivalents		3,645	3,032
		<u>6,100</u>	<u>5,150</u>
Less: Creditors - amounts falling due within one year	15	<u>(1,984)</u>	<u>(1,956)</u>
Net current assets		<u>4,116</u>	<u>3,194</u>
Total assets less current liabilities		43,031	42,181
Creditors: amounts falling due after more than one year	16	(19,668)	(20,002)
Provisions			
Pension provisions	23	3,412	921
Other provisions	18	(559)	(600)
Total net assets		<u>26,216</u>	<u>22,500</u>
Restricted reserves			
Income and expenditure reserve - endowment reserve	19	1,894	1,855
Income and expenditure reserve - restricted reserve	20	266	225
		<u>2,160</u>	<u>2,080</u>
Unrestricted reserves			
Income and expenditure reserve - unrestricted		22,752	19,148
Revaluation reserve		1,296	1,264
		<u>26,208</u>	<u>22,492</u>
Share capital	21	<u>8</u>	<u>8</u>
Total reserves		<u>26,216</u>	<u>22,500</u>

The financial statements on pages 27 to 52 were approved by the Board of Governors on 2nd November 2018 and were signed on its behalf on that date by:



Professor Jeffrey Sharkey
Designated Officer



Alan Smith
Director of Finance and Estates

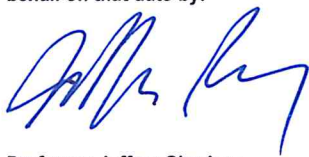


Nick Kuenssberg OBE
Chairman

Conservatoire Balance Sheet as at 31 July 2018
(Company Registration No.SC04703)

	Note	2018 £'000	2017 £'000
Non-current assets			
Tangible fixed assets	11	35,249	35,753
Investments	12	3,666	3,234
		<u>38,915</u>	<u>38,987</u>
Current assets			
Trade and other receivables	13	1,115	804
Investments	14	1,339	1,327
Cash and cash equivalents		3,645	2,970
		<u>6,099</u>	<u>5,101</u>
Less: Creditors - amounts falling due within one year	15	<u>(1,980)</u>	<u>(1,904)</u>
Net current assets		<u>4,119</u>	<u>3,197</u>
Total assets less current liabilities		43,034	42,184
Creditors: amounts falling due after more than one year	16	(19,668)	(20,002)
Provisions			
Pension provisions	23	3,412	921
Other provisions	18	(559)	(600)
Total net assets		<u>26,219</u>	<u>22,503</u>
Restricted reserves			
Income and expenditure reserve - endowment reserve	19	1,894	1,855
Income and expenditure reserve - restricted reserve	20	266	225
		<u>2,160</u>	<u>2,080</u>
Unrestricted reserves			
Income and expenditure reserve - unrestricted		22,755	19,151
Revaluation reserve		1,296	1,264
		<u>26,211</u>	<u>22,495</u>
Share capital	21	8	8
Total reserves		<u>26,219</u>	<u>22,503</u>

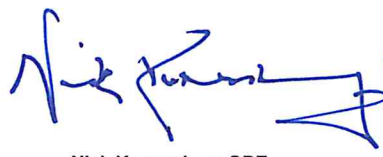
The financial statements on pages 27 to 52 were approved by the Board of Governors on 2nd November 2018 and were signed on its behalf on that date by:



Professor Jeffrey Sharkey
Designated Officer



Alan Smith
Director of Finance and Estates



Nick Kuenssberg OBE
Chairman

Group Statement of cash flows for the year ended 31 July 2018

	Note	2018 £'000	2017 £'000
Cash flow from operating activities			
Surplus for the year		563	931
Adjustment for non-cash items			
Depreciation	11	870	845
Gain on investments		(98)	(199)
(Increase)/Decrease in debtors	13	(325)	(1)
Decrease in creditors	15 / 16 / 17	(306)	(554)
Decrease in other provisions	18	(41)	(10)
Pension costs less contributions payable	23	662	507
Receipt of donated equipment		-	(39)
Adjustment for investing or financing activities			
Investment income	6	(148)	(127)
Loss on the sale of fixed assets		8	7
Endowment Income		(5)	-
Net cash inflow from operating activities		<u>1,180</u>	<u>1,360</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets/Investments		355	1,278
Short term Investments	14	(12)	(41)
Investment income	6	148	127
Endowment funds invested	12	(470)	(499)
Funds invested	12	(214)	(748)
Payments to acquire fixed assets	11	(379)	(2,172)
		<u>(572)</u>	<u>(2,055)</u>
Cash flows from financing activities			
Endowment cash received		5	-
New unsecured loans	15	-	1,655
Increase in cash and cash equivalents in the year		<u>613</u>	<u>960</u>
Cash and cash equivalents at beginning of the year		3,032	2,072
Cash and cash equivalents at end of the year		3,645	3,032

Conservatoire Statement of cash flows for the year ended 31 July 2018

	Note	2018 £'000	2017 £'000
Cash flow from operating activities			
Surplus for the year		563	934
Adjustment for non-cash items			
Depreciation	11	870	845
Gain on investments		(98)	(199)
Increase in debtors	13	(311)	(74)
Decrease in creditors	15 / 16 / 17	(258)	(281)
Decrease in other provisions	18	(41)	(10)
Pension costs less contributions payable	23	662	507
Receipt of donated equipment		-	(39)
Adjustment for investing or financing activities			
Investment income	6	(148)	(127)
Loss on the sale of fixed assets		8	7
Endowment Income		(5)	-
Net cash inflow from operating activities		<u>1,242</u>	<u>1,563</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets/Investments		355	1,278
Short term Investments	14	(12)	(41)
Investment income	6	148	127
Endowment funds invested	12	(470)	(499)
Funds invested	12	(214)	(748)
Payments to acquire fixed assets	11	<u>(379)</u>	<u>(2,172)</u>
		<u>(572)</u>	<u>(2,055)</u>
Cash flows from financing activities			
Endowment cash received		5	-
New unsecured loans	15	-	1,655
Increase in cash and cash equivalents in the year		<u>675</u>	<u>1,163</u>
Cash and cash equivalents at beginning of the year		2,970	1,807
Cash and cash equivalents at end of the year		3,645	2,970

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 Basis of consolidation

The consolidated financial statements include the Conservatoire and all its subsidiaries for the financial year to 31 July 2018. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to date of disposal, intra-group transactions are eliminated on consolidation.

C 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 (2017: 90 years). Material building improvements completed in 2017 are depreciated over their expected useful economic life of 25 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 comprehensive 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 comprehensive 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.

The John Webb Brass instrument collection was 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 or brass instruments as this relates to donated items, which do not have a cost attached to them.

Notes to the Financial Statements (continued)

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

D Investments

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

E 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.

F 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.

G 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.

H 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 comprehensive income and expenditure account as incurred.

Notes to the Financial Statements (continued)

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

I 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 comprehensive income and expenditure account. The actuarial gains and losses are shown in the statement of comprehensive income and expenditure.

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 comprehensive 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.

J 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.

K Operating Leases

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

L Concessionary Loans

Concessionary loans are recognised at the monetary value received, are interest free and are made wholly to advance the charitable purposes of the Conservatoire.

M 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 Conservatoire is restricted in use of these funds.

Notes to the Financial Statements (continued)

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

N Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

O 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. Material building improvements at Renfrew Street are presently depreciated over their useful life of 25 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

Group & Conservatoire

	2018 £'000	2017 £'000
SFC		
Recurrent grant for teaching	11,126	10,775
Research development foundation	255	220
Research postgraduate grant	73	73
<i>Specific initiative grants:</i>		
Disabled student premium	52	52
University Innovation Fund	257	257
<i>Deferred capital grants released in year:</i>		
Buildings	253	251
Equipment	19	41
	<u>12,035</u>	<u>11,669</u>

3 TUITION FEES AND EDUCATION CONTRACTS

Group & Conservatoire

	2018 £'000	2017 £'000
Scotland and European Union(EU) students U/G	60	66
RUK students U/G	1,686	1,587
Scotland and European Union(EU) and RUK students P/G	1,129	1,133
Non -EU students	3,129	2,682
UK further education students *	2,271	2,198
Registration Fees	244	181
Total fees paid by or on behalf of individual students	<u>8,519</u>	<u>7,847</u>
Higher Education contracts	1,169	1,039
Other contracts	12	11
Total	<u>9,700</u>	<u>8,897</u>

* relates to Lifelong Learning and Junior Conservatoire programmes

4 RESEARCH GRANTS AND CONTRACTS

Group & Conservatoire

	2018 £'000	2017 £'000
Miscellaneous research grants and contracts	<u>59</u>	<u>72</u>

Group

Conservatoire

5 OTHER INCOME

	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Income from front of house	366	430	366	430
Sundry income	303	208	302	228
Conference Income	49	427	49	20
European Funded Projects	122	58	122	58
RCS Works	67	81	67	81
QAA Income	6	15	6	15
Widening Access to the Creative Industries Grant	63	64	63	64
Limitless project	11	-	11	-
NE Arts Hub	34	-	34	-
	<u>1,021</u>	<u>1,283</u>	<u>1,020</u>	<u>896</u>

Notes to the Financial Statements (continued)

6 INVESTMENT INCOME	Note	Group & Conservatoire	
		2018 £'000	2017 £'000
Investment income on endowments		65	52
Other investment income		75	67
Bank interest		8	8
		<u>148</u>	<u>127</u>

7 DONATIONS AND ENDOWMENTS	Group & Conservatoire	
	2018 £'000	2017 £'000
Unrestricted donations	590	410
Restricted donations	116	268
	<u>706</u>	<u>678</u>

Restricted donations of £66K relate to the redevelopment of part of the Renfrew Street Campus building. The remaining £50k relates to a donation the Bruce Millar Memorial Trust to provide financial support to emerging creative artists.

8 STAFF COSTS	Group & Conservatoire	
	2018 Number	2017 Number
The average number of employees expressed as full-time equivalents was:		
Senior Management	8	8
Teaching staff	262	252
Teaching support	26	34
Research grants and contracts	8	7
Other support services	22	19
Administration and central services	64	64
Premises	36	36
Other income generating activities	1	1
	<u>427</u>	<u>421</u>
Staff costs for the above persons:	2018 £'000	2017 £'000
Wages and salaries	13,567	12,759
Social security costs	1,158	1,074
Other pension costs	2,578	2,179
Other staff costs	151	152
	<u>17,454</u>	<u>16,164</u>
Senior Management	897	832
Teaching staff	10,053	9,496
Teaching support	1,286	1,077
Research grants and contracts	422	303
Other support services	935	891
Administration and central services	2,619	2,318
Premises	1,181	1,168
Other income generating activities	61	79
	<u>17,454</u>	<u>16,164</u>
Governors' salaries(included therein)		
Salaries(staff members)	244	261
Pension contributions	42	45
	<u>286</u>	<u>306</u>

The number of Governors accruing benefits under pension schemes during the year was 4 (2017: 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; Assistant Principal; Director of Finance and Estates; Director of Human Resources; Director of Fair Access; Director of Music; Director of Drama, Dance, Production and Film; Director of External Relations; and the Conservatoire Secretary. Staff costs including compensation paid to key management personnel as follows:

	Group & Conservatoire	
	2018 £'000	2017 £'000
Total (including salaries, social security costs and other benefits)	<u>845</u>	<u>795</u>

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

	2018 £'000	2017 £'000
Principal		
Salary	140	138
Pension contributions	24	24
Benefits in kind*	<u>4</u>	<u>3</u>
	<u>168</u>	<u>165</u>
Accrued pension as at 31 July	9	7
Accrued lump sum as at 31 July	27	20

* Benefits in kind relate to private medical insurance

The employees included in the determination of the median salary include part time hourly paid academic staff. Each salary is based on full time equivalent. The salary of the Principal is 2.6 times that of the median salary which is £54,063 for the year.

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

	2018 Number	2017 Number
Nil	18	19
£10,001 - £20,000	1	1
£20,001 - £30,000	-	1
£30,001 - £40,000	1	-
£40,001 - £50,000	1	2
£140,001 - £150,000	1	1

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

	2018 Number	2017 Number
£70,001 - £80,000	2	2

9 TRAVEL AND SUBSISTENCE

	Group & Conservatoire	
	2018 £'000	2017 £'000
Travel and subsistence - Board members	6	11
- Staff	37	38
Hospitality - Board members	5	7
- Staff	<u>8</u>	<u>12</u>
	<u>56</u>	<u>68</u>

The total expenses paid to or on behalf of Board members was £11,000 (2017 - £18,000). This represents travel and subsistence expenses and hospitality costs incurred in attending Board, Committee meetings and other events in their official capacity.

Notes to the Financial Statements (continued)

10 OTHER OPERATING EXPENSES

	Group		Conservatoire	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Teaching departments	1,907	1,604	1,907	1,604
Contracted-out lecturing services	208	303	208	303
Teaching support services	140	93	140	93
Other support services	429	436	429	436
Administration and central services	607	654	607	654
General education	201	195	201	195
Premises costs	611	577	611	577
Repairs, renewals and maintenance	284	278	284	278
Conference Costs	40	404	40	14
Other income generating activities	204	187	204	187
Agency Staffing Costs	38	2	38	2
Pension Fund net interest	(16)	39	(16)	39
Other expenses	219	258	218	258
	<u>4,872</u>	<u>5,030</u>	<u>4,871</u>	<u>4,640</u>

Other operating expenses include:

	2018 £'000	2017 £'000
Auditors' remuneration		
External audit	15	15
FFELP Contract	2	2
Non-audit services	9	-
Internal audit	17	16
Operating lease rentals		
Other than Land and Buildings	232	223

11 TANGIBLE FIXED ASSETS - Group and Conservatoire

	Freehold Buildings £'000	Leasehold Buildings £'000	Furn/Fixt/ Fittings/ Equipment £'000	Other Stringed Instruments £'000	Musical Instruments £'000	Total £'000
<i>Cost or valuation</i>						
At 1 August 2017	30,250	11,837	4,911	930	429	48,357
Additions	31	-	348	-	-	379
Disposals	-	-	(153)	-	-	(153)
At 31 July 2018	<u>30,281</u>	<u>11,837</u>	<u>5,106</u>	<u>930</u>	<u>429</u>	<u>48,583</u>
<i>Aggregate Depreciation</i>						
At 1 August 2017	7,050	1,205	4,056	47	246	12,604
Depreciation charge	362	132	339	9	28	870
Disposals	-	-	(140)	-	-	(140)
At 31 July 2018	<u>7,412</u>	<u>1,337</u>	<u>4,255</u>	<u>56</u>	<u>274</u>	<u>13,334</u>
<i>Net Book Value</i>						
NBV at 1 August 2017	23,200	10,632	855	883	183	35,753
NBV at 31 July 2018	<u>22,869</u>	<u>10,500</u>	<u>851</u>	<u>874</u>	<u>155</u>	<u>35,249</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 - Group and Conservatoire

	General Fund 2018 £'000	Prize Fund 2018 £'000	Piano Fund 2018 £'000	Total 2018 £'000	Total 2017 £'000
Market value at 1 August	1,908	534	792	3,234	3,025
Additions	214	381	89	684	1,247
Disposals	(190)	(75)	(79)	(344)	(1,236)
Increase in market value	51	20	21	92	198
Market value at 31 July	<u>1,983</u>	<u>860</u>	<u>823</u>	<u>3,666</u>	<u>3,234</u>
Listed investments		2018 Market Value £'000	2018 Cost £'000	2017 Market Value £'000	2017 Cost £'000
Fixed interest stocks		980	952	607	588
Equities		<u>2,686</u>	<u>2,170</u>	<u>2,627</u>	<u>2,189</u>
		<u>3,666</u>	<u>3,122</u>	<u>3,234</u>	<u>2,777</u>

The Conservatoire has a wholly owned subsidiary ISME2016 Ltd which was set up to run the International Society for Music Education Conference. The Income and Expenditure and Balance Sheet position at 31 July 2018 are shown below and the results are included in the Group Accounts.

Income and Expenditure

	£'000s
Income	1
Expenditure	<u>(1)</u>
Deficit for the year	<u>-</u>

Balance Sheet

	£'000s
<i>Current Assets</i>	
Debtors	<u>4</u>
	4
Creditors: amounts falling due within one year	<u>(7)</u>
Net Current Liabilities	<u>(3)</u>
<i>Reserves</i>	
Income and Expenditure Reserve	<u>(3)</u>

13 TRADE AND OTHER RECEIVABLES

	Group		Conservatoire	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts falling due within one year:				
Trade receivables	74	134	74	134
Receivables due from students - net of provision for doubtful debts	78	77	78	77
Other receivables	37	60	37	44
Prepayments and accrued income	927	520	923	495
Amounts due from Subsidiary company	-	-	3	54
	<u>1,116</u>	<u>791</u>	<u>1,115</u>	<u>804</u>

14 CURRENT INVESTMENTS

	Group & Conservatoire	
	2018 £'000	2017 £'000
Short term deposits	<u>1,339</u>	<u>1,327</u>
	<u>1,339</u>	<u>1,327</u>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct 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 2018 the weighted average interest of these fixed rate deposits was 0.7% 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

	Group		Conservatoire	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade payables	352	229	348	227
Other creditors	303	288	303	288
Accruals and deferred income	1,263	1,372	1,263	1,322
Loans	66	67	66	67
	<u>1,984</u>	<u>1,956</u>	<u>1,980</u>	<u>1,904</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.

	Group & Conservatoire	
	2018	2017
	£'000	£'000
Donations	30	30
Grant income	<u>272</u>	<u>305</u>
	<u>302</u>	<u>335</u>

16 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group & Conservatoire	
	2018	2017
	£'000	£'000
Deferred income	18,184	18,452
Loans	<u>1,484</u>	<u>1,550</u>
	<u>19,668</u>	<u>20,002</u>

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

	Group & Conservatoire	
	2018	2017
	£'000	£'000
Donations	70	100
Grant income	<u>18,114</u>	<u>18,352</u>
	<u>18,184</u>	<u>18,452</u>

17 PUBLIC BENEFIT ENTITY CONCESSIONARY LOANS

	Group & Conservatoire	
	2018	2017
	£'000	£'000
Amounts repayable within one year	66	67
Amounts repayable more than one year	<u>1,484</u>	<u>1,550</u>
	<u>1,550</u>	<u>1,617</u>

A loan for £1,885,000 was received from The RCS Infrastructure Trust (formally The RSAMD Endowment Trust) to fund a part redevelopment of the Renfrew Street campus. The Loan is interest free for a term of 25 years and is not repayable on demand.

Notes to the Financial Statements (continued)

18 PROVISIONS FOR LIABILITIES AND CHARGES - Group & Conservatoire

	Pensions £'000
Balance at 1 August 2017	600
Increase in provision	4
Paid/released	(45)
Balance at 31 July 2018	<u>559</u>

A valuation of the existing pension provision was carried out at 31 July 2018 by Hymans Robertson, an independent firm of actuaries.

19 ENDOWMENT FUNDS - PERMANENT - Group & Conservatoire

	Prize Fund Capital £'000	Prize Fund Income £'000	Piano Fund Capital £'000	2018 Total £'000	2017 Total £'000
Balance at 1 August 2017					
Capital	770	-	805	1,575	1,453
Accumulated income	-	185	-	185	187
	<u>770</u>	<u>185</u>	<u>805</u>	<u>1,760</u>	<u>1,640</u>
<i>Income</i>					
Funds introduced	5	-	-	5	-
Investment income	-	30	34	64	53
Gain/(loss) on sale of investments	3	-	1	4	36
Increase/(decrease) in value of investments	18	-	21	39	83
	<u>796</u>	<u>215</u>	<u>861</u>	<u>1,872</u>	<u>1,812</u>
<i>Expenditure</i>					
Prizes	-	(20)	-	(20)	(20)
Transfer to unrestricted reserves to meet expenditure incurred	-	-	(30)	(30)	(30)
Management fees	-	(5)	(4)	(9)	(2)
Transfer between Prize Fund and Unrestricted Reserve	(17)	3	-	(14)	-
Balance at 31 July 2018	<u>779</u>	<u>193</u>	<u>827</u>	<u>1,799</u>	<u>1,760</u>
Represented by:					
Capital	779	-	827	1,606	1,575
Accumulated income	-	193	-	193	185
	<u>779</u>	<u>193</u>	<u>827</u>	<u>1,799</u>	<u>1,760</u>
Analysis by asset					
Current and non-current asset investments	779	193	827	1,799	1,760
	<u>779</u>	<u>193</u>	<u>827</u>	<u>1,799</u>	<u>1,760</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)

19 ENDOWMENT FUNDS - EXPENDABLE - Group & Conservatoire

	2018 Instrument Fund £'000	2017 Total £'000
Balance at 1 August 2017		
Accumulated income	95	122
	<u>95</u>	<u>122</u>
<i>Income</i>		
Funds/capital introduced	-	-
Investment income	-	-
	<u>95</u>	<u>122</u>
<i>Expenditure</i>		
Transfer to deferred capital grant	-	-
Transfer to unrestricted reserves to meet expenditure incurred	-	(27)
	<u>-</u>	<u>(27)</u>
Balance at 31 July 2018	<u>95</u>	<u>95</u>
Represented by:		
Accumulated income	95	95
	<u>95</u>	<u>95</u>
Analysis by asset:		
Cash and cash equivalents	95	95
	<u>95</u>	<u>95</u>

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

20 RESTRICTED FUNDS

	Bruce Millar Memorial Trust £'000	RCS Infrastructure Trust £'000	The Robertson Trust £'000	Group & Conservatoire 2018 Total £'000	2017 Total £'000
Balance at 1 August 2017	-	-	225	225	-
<i>Income</i>					
Funds/capital introduced	50	66	-	116	268
<i>Expenditure</i>					
Release of restricted funds spent in the year	-	(66)	(9)	(75)	(43)
Total restricted comprehensive income for the year	<u>50</u>	<u>-</u>	<u>(9)</u>	<u>41</u>	<u>225</u>
Balance at 31 July 2018	<u>50</u>	<u>-</u>	<u>216</u>	<u>266</u>	<u>225</u>

The Bruce Millar Memorial Trust provides financial assistance to emerging creative artists.

The donation from the RCS Infrastructure Trust (formally the RSAMD Endowment Trust) was used in support of a capital development.

The Robertson Trust funds represent a donation which was used in support of a capital development.

21 SHARE CAPITAL

	Group & Conservatoire	
	2018 £	2017 £
<u>Authorised:</u>		
15,000 Ordinary Shares of £1 each	<u>15,000</u>	<u>15,000</u>
<u>Allotted, Issued and Fully Paid:</u>		
7,284 Ordinary Shares of £1 each	<u>7,284</u>	<u>7,284</u>
<u>Allotted and Issued</u>		
300 Ordinary Shares of £1 each	<u>300</u>	<u>300</u>
	<u>7,584</u>	<u>7,584</u>

Notes to the Financial Statements (continued)

22 LEASE OBLIGATIONS - Group & Conservatoire

	Student Accommodation £'000	Musical Instruments £'000	2018 Total £'000	2017 Total £'000
Future minimum lease payments due:				
Not later than 1 year	930	198	1,128	1,120
Later than 1 year and not later than 5 years	-	594	594	407
Total lease payments due	<u>930</u>	<u>792</u>	<u>1,722</u>	<u>1,527</u>

The Conservatoire entered into an agreement for lease on 19 October 2017 for student accommodation within a development planned at Dunblane Street in Glasgow. The annual rental commitment at the date of signing was £1,085,000. It is planned that the lease will commence in September 2019 for a minimum of 5 years.

23 PENSION COMMITMENTS - Group & Conservatoire

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 :

	2018 £'000	2017 £'000
Contributions to STSS	978	843
Contributions to SPF	1,594	1,296
Contributions to UCRSS	<u>2</u>	<u>5</u>
	2,574	2,144
Increase in pension provision	<u>4</u>	<u>35</u>
	<u>2,578</u>	<u>2,179</u>

The actual cost of contributions paid by the Conservatoire during the year to the SPF was £916K.

There were no outstanding contributions payable at 31 July 2018.

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 Conservatoire's level of participation in the scheme is 0.2% based on the proportion of employer contributions paid in 2016-17.

Notes to the Financial Statements (continued)

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 2017. 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 2017 to 31 July 2018 was 19.3% of pay. The employee contribution rate for the period from 1 August 2017 to 31 July 2018 was a variable rate dependent on the level of salary ranging from 5.5% to 9.1%.

Principal actuarial assumptions at the balance sheet date:

Financial assumptions

	2018	2017
	%	%
Future Pension increases	2.15	2.40
Future Salary increases	2.30	2.50
The Expected return on assets	2.80	2.70
Discount rate	2.80	2.70

The Conservatoire expects to contribute £922K to its defined benefit pension plans in 2018/19.

Mortality assumptions

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

	Male	Female
Current pensioners	21.4 years	23.7 years
Future pensioners	23.4 years	25.8 years

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

	2018	2017
	%	%
Equities	64	71
Bonds	22	14
Property	11	11
Cash	3	4

Notes to the Financial Statements (continued)

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 £'000	Obligations £'000	2018 Net (Liability)/ Asset £'000	2017 Net (Liability)/ Asset £'000
Fair value of employer assets	26,460	-	26,460	22,541
Present value of funded liabilities	-	25,539	(25,539)	(23,845)
Opening Position as at 31 July 2017	26,460	25,539	921	(1,304)
Service Cost	-	-	-	-
Current Service Cost	-	1,600	(1,600)	(1,296)
Past service Cost	-	-	-	-
Total Service Cost	-	1,600	(1,600)	(1,296)
Net Interest	-	-	-	-
Interest income on plan assets	726	-	726	573
Interest Cost on defined benefit obligation	-	710	(710)	(612)
Total Net Interest	726	710	16	(39)
Total defined benefit cost recognised in income and expenditure	726	2,310	(1,584)	(1,335)
Cashflows	-	-	-	-
Plan participants contributions	303	303	-	-
Employer contributions	922	-	922	828
Benefits paid	(361)	(361)	-	-
Expected closing position	28,050	27,791	259	(1,811)
Re-measurements (actuarial losses)	-	-	-	-
Changes in demographic assumptions	-	2	(2)	-
Changes in financial assumptions	-	(2,305)	2,305	195
Other experience	-	320	(320)	-
Return on assets excluding amounts included in net interest	1,170	-	1,170	2,537
Total re-measurements recognised in other comprehensive income	1,170	(1,983)	3,153	2,732
Fair value of plan assets	29,220	-	29,220	26,460
Present value of funded liabilities	-	25,808	(25,808)	(25,539)
Closing position as at 31 July 2018	29,220	25,808	3,412	921

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.

Notes to the Financial Statements (continued)

24 CONTINGENT LIABILITIES

Contingent liabilities represent items that, at 31 July 2018, 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.

	Group & Conservatoire	
	2018	2017
Guarantee to ELIA NE@XT Accelerator project	€80,000	€80,000

25 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 2018 are detailed below:

Member	Organisation	Relationship	Grant Received	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
Carol Main	Live Music Now!	Director	£ -	£ 383	£ -	£ -	£ -
Carol Main	Traditional Music Forum	Director	£ -	£ 200	£ 40	£ 20	£ -
Carol Main	Creative Scotland	Peer Reviewer	£ 19,675	£ -	£ -	£ -	£ -
Sharon Mair	BBC	Editor	£ -	£ 7,302	£ 4,056	£ 51	£ -
Norman Sharp	QAA Scotland	Retired Director	£ 6,000	£ -	£ -	£ 1,500	£ -
Jeffrey Sharkey	ISME2016 Limited	Director	£ -	£ -	£ -	£ 3,477	£ -
Alan Smith							

All members above held their posts for the full year.

26 DISCRETIONARY AND CHILDCARE FUNDS

	Childcare £	Discretionary £	Total £
Balance unspent at 1 August 2017	1,864	(1,460)	404
Repaid during the year	(1,864)	1,460	(404)
Allocation Received in year	6,020	37,523	43,543
Expenditure	(5,246)	(31,605)	(36,851)
Balance unspent at 31 July 2018	<u>774</u>	<u>5,918</u>	<u>6,692</u>
Repayable as claw back	774	5,918	6,692

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 comprehensive income and expenditure account.

COMMITTEE MEMBERSHIPS

Membership of the committees reporting to the Board of Governors are detailed below.

Academic Board

- Principal (Convenor)
- Assistant Principal
- Director of Drama, Dance, Production and Film
- Director of Music
- Director of Fair Access
- Head of Research and Knowledge Exchange
- Head of Information Services
- President of the Students' Union
- Vice President of the Students' Union
- Member elected by the academic staff from the full-time academic staff of the School of Drama and Dance
- Member elected by the academic staff from the full-time academic staff of the School of Music
- 3 co-opted internal members to be determined by the Academic Board
- A member co-opted from another academic institution

Audit

- 3 Lay Governors who are not members of the Finance & General Purposes Committee (one of whom is elected Convenor)
- 1 Lay Governor who is a member of the Finance & General Purposes Committee, but not Convenor
- 1 External member as approved by the Nominations Committee

Finance & General Purposes

- Chair of the Board of Governors
- Principal
- 5 Governors appointed by the Board of Governors (one of whom is elected Convenor)

Buildings

- The Convenor is elected from within the membership of the Committee
- Chair of the Board of Governors
- Principal
- Convenor of the Finance & General Purposes Committee
- Up to 3 Governors appointed by the Board of Governors
- 1 External member as approved by the Nominations Committee

Nominations

- Chair of the Board of Governors (Convenor)
- Vice Chair/Senior Independent Governor
- 1 Elected Staff Governor appointed by the Board of Governors
- President of the Students' Union
- Principal
- 2 Lay Governors appointed by the Board of Governors

Remuneration

- A Governor appointed by the Board of Governors as Convenor
- Chair of the Board of Governors
- Convenor of the Finance & General Purposes Committee
- An additional Governor appointed by the Board of Governors

Health, Safety and Wellbeing

- A Governor appointed by the Board of Governors as Convenor
- Principal
- Assistant Principal
- Additional Governor appointed by the Board of Governors
- Health, Safety and Wellbeing Manager
- Director of Drama, Dance, Production and Film
- Director of Music
- Director of Finance and Estates
- Director of HR
- Director of External Relations
- Director of Fair Access
- President of the Students' Union
- An elected staff representative from the academic staff
- An elected staff representative from the academic support staff
- An elected staff representative from the academic trade union (EL)
- External expertise as required and appropriate

Fair Access

- A Governor appointed by the Board of Governors as Convenor
- Additional Governor appointed by the Board of Governors
- External membership as approved by the Nominations Committee
- Academic Directors
- Equality and Diversity Officer
- Student representatives
- School/Lifelong Learning representatives

GOVERNOR ATTENDANCE AT COMMITTEE MEETINGS THROUGHOUT THE YEAR

	Board of Governors	Academic Board	Audit	Finance & General Purposes	Buildings	Nominations	Remuneration	Health, Safety and Wellbeing	Fair Access
Nick Kuenssberg	3/4			6/6	6/6	1/1	1/1		
Jeffrey Sharkey	4/4	3/4		5/6	5/6	1/1		1/4	
Fiona Ballantyne (to 29/6/18)	3/4		2/2		6/6				
Laura Bissell (to 29/6/18)	4/4					1/1			
Anne Lorne Gillies (to 31/8/18)	2/4								2/3
Norman Gillies	3/4								
John Hylands	4/4		3/3			1/1			
Catherine Jackson (to 27/10/17)	1/1					1/1			
Tari Lang	4/4								
Mark Leishman	3/4			6/6					
Shonaig MacPherson (to 28/9/17)	0/0			1/1					
Donald MacRae	4/4			6/6	6/6		1/1		
Carol Main	1/4							4/4	
Sharon Mair	4/4		1/2	1/2	4/6				
Jonathan Mills	2/4								
Ed Monaghan	1/4				4/6				
Nicholas Olsen (from 26/1/18)	3/3								
Mark Paris	4/4								
Gavin Reid (to 29/6/18)	2/3			2/4	2/3				
Agnes Robson	4/4		2/3			1/1	1/1		
Jean Sangster	3/4								
Norman Sharp	3/4		2/3					3/4	3/3
Will Stringer	3/4	4/4				1/1		3/4	
Maria Taylor	3/4			4/6			1/1		1/3
Aidan Teplitzky	4/4	3/4				1/1			
Colleen Toomey	3/4								

PROFESSIONAL ADVISERS

Bankers

The Royal Bank of Scotland plc
10 Gordon Street
Glasgow
G1 3PL

Bank of Scotland
PO Box 545
Faryners House
25 Monument Street
London
EC3R 8BQ

External Auditors

Chiene & Tait LLP
61 Dublin Street
Edinburgh
EH3 6NL

Internal Auditors

Scott Moncrieff
Exchange Place 3
Sempie Street
Edinburgh
EH3 8BL

Investment Advisers

Smith & Williamson Investment Management LLP
206 St. Vincent Street
Glasgow
G2 5SG

Solicitors

MacRoberts LLP
Capella, 60 York Street
Glasgow
G2 8JX

Clyde & Co (Scotland) LLP
144 West George Street
Glasgow
G2 2HG

Pinsent Masons LLP
141 Bothwell Street
Glasgow
G2 7EQ

