



Royal Conservatoire
of Scotland

A Company Limited by Guarantee

Annual Report

And

Financial Statements

For the Year Ended 31 July 2020

Company Registration No.SC04703
Charity No: SC015855

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OFFICE BEARERS

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



CHAIR'S FOREWORD

I am pleased to note at the outset that the Royal Conservatoire of Scotland (RCS) has maintained its outstanding internationally competitive performance during a year that has brought a unique set of challenges, primarily the impact of COVID-19. The QS global rating of the RCS within the world's performing arts universities, being placed within the top ten for four of the last five years, underlines the achievements as RCS continues to build on its distinctive multi-disciplinary curriculum as well as its enriching contribution to Scotland. Despite the complex and multi-faceted circumstances presented by a global pandemic, our financial performance remains solid with a modest surplus before other unrealised gains and losses of £58k (£516k in 2018/19) with cash balances and investments increased by 7.9% to £11,216k and the majority of key performance indicators showing an above average performance.

This will be difficult to repeat in future years due to a wide range of factors including the additional costs of blended learning, the impact of the economic downturn on sources of scholarship income and the imminent end to the Scottish Government's free tuition for EU undergraduate students in 2021/22. In this operating environment it will be a demanding task for RCS to retain its momentum and its world position. However as this report demonstrates, the Board, Principal and staff are determined to preserve and enhance the RCS standing as a world-leading teaching and research institution. In this regard there is much from which to take heart: The innovative activities immediately post lock-down, the establishment of RCS At Home as a digital performance platform reaching wider audiences than ever across 50+ countries, the continued creativity of individual staff, students and alumni have all been inspiring. The progress made in the Transitions and Fair Access programmes, the development of lifelong learning, the evolution of teacher training, the deepening and broadening impact of RCS's research and knowledge exchange along with the maturing of our Outcome Agreements with the Scottish Funding Council all serve to illustrate a shared determination across the conservatoire community that externalities should not prejudice future prospects and aspirations.

RCS builds its future aspiration on foundations which are distinct in our sector. We are the only UK conservatoire which is also a private limited company as a result of the shares issued by our founding body more than a century ago to raise funds to build an extension to former premises. We continue to recognise our institutional shareholding as a special connection with our past. It is with sorrow therefore that I note the death in September of Helen Cargill Thompson, one of our final family links to those original shareholders whose confidence in our mission set this institution on its course. Helen dutifully attended every AGM and was a warm and welcome presence at these meetings. She will be a sadly-missed member of the Conservatoire family.

There have also been changes to the Board of Governors. In the past year Tari Lang, Mark Leishman, Sir Jonathan Mills and Colleen Toomey have stepped down and I would like to thank them for their insights and contributions over their terms of service. I also note with gratitude the nine years of professional service of John Hylands as Vice Chair, Senior Independent Governor and Convenor of the Audit Committee; his exceptional contribution to the Conservatoire is to be recognised through the conferment of a Fellowship at a future graduation ceremony.

Back in the present and looking forward the formal strategic planning process for 2020-25 has been deferred to next year as a consequence of COVID but the benefits arising from what has been learnt over the last seven months are already stimulating change and having impact including that on the curricular review currently in progress. Many issues have been and continue to be of intense importance to the RCS community, from the active commitment to the Anti-Racism Action Plan to that of the continuing health, safety and wellbeing of both staff and students and a significant development and fundraising campaign to be launched in early 2021. These and many other factors of the past year form part of an overall vision of "the Creating Conservatoire" that will be at the heart of our future. That this can be said with assurance is due to the studied creativity, inventive faculties and sheer determination of the staff and students led by Principal Professor Jeffrey Sharkey and the senior management team. The RCS community has coped professionally with a year of significant challenge. The board has full confidence in the academic leadership of the institution, applauds the positive collaborations across the staff and student community and believes that the RCS is in good hands.



Nick Kuenssberg
Chair

REPORT OF THE GOVERNORS

The Governors present their report together with the audited financial statements for the year ended 31 July 2020.

Constitution

The RCS is a company limited by guarantee and having capital divided into shares 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 currently 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 as amended by The Royal Conservatoire of Scotland Amendment Order of Council 2020 No.3

The RCS 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 RCS 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 Chair representing the Board of Governors and wider society. One of the descendants of one of the RCS'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 RCS 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 RCS's vision is to:

Be Scotland's globally recognised 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 RCS'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

In the QS world rankings the RCS has now been ranked in the top 10 performing arts institutions in four of the past five years with the latest at number 9; the National Student Survey overall satisfaction results showed an improvement (2019: 86%; 2019: 73%) and RCS was placed in the top 5 in the UK Complete University Guide 2020.

In response to the disruption caused by the COVID -19 pandemic Academic Board approved a revised academic framework to allow assessment, progression and completion and a 'no detriment' policy introduced for Honours students. The situation demanded a steep learning curve for staff and students alike and valuable insight has been gained into the opportunities and limitations of digital learning in a conservatoire environment. With the closure of the campus buildings it was unfortunately necessary to cancel the live public performance programme for the remainder of the session although many high quality and innovative on line performances, productions and presentations were generated instead. RCS At Home was created and set up in the days prior to the campus closure. Its initial purpose was to provide an online platform for students, staff, graduates and the RCS community to creatively connect with one another and with core audiences and stakeholders during lockdown. Since then it has become an important entirely-digital platform for the RCS community to share performance, celebrate achievements and continue to connect artistically with each other as well as with external audiences and key stakeholders watched in over 50 countries. Although the summer graduation ceremony had to be cancelled this year programmes were completed successfully and students were able to progress and to graduate in absentia to the normal timetable. An on-line day of events and contributions marked the day and a suitable event will be organised in the future for the Year of 2020.

The postgraduate programmes were all successfully reviewed during the year with a number of new programmes validated and added to the portfolio.

Student and alumni successes are many and this year included a Golden Globe win and an Oscar Nomination for the film *1917* for alumna Krysty Wilson-Cairns, Scottish Jazz Awards Album of the Year for Fergus McCreadie and the Liszt Society Competition First Prize for Minkyu Kim (DPerf) both alumni.

Promoting Equality and Diversity

The COVID-19 pandemic has brought about considerable challenges for widening access provision. From March 2020 all delivery of widening access provision was moved online and continued to offer online support to all students, which, given the practical nature of our programmes has required creative thinking about how to continue to engage and support students with significant barriers to their learning. This resulted in the launch of new online micro sites for both programmes: Widening Access to the Creative industries and Transition where students can access a range of online resources and support including workshops, masterclasses, virtual bands, lockdown learning tasks, 1:1 lessons and CPD/materials for teachers and coaching sessions for students with trained coaches. We have worked in partnership with the National Theatre of Scotland on an autistic 'Artist in Residence' programme and the Ayr Gaiety Theatre on a playwriting project for care experienced young writers. In addition, a suite of singing toolkits targeted at primary school teachers and community artists has been created, designed to engage pupils in music and filmmaking during lockdown.

As a result of our work, we have retained and actively engaged 121 Transitions students on the Transitions 11+ programme, 1 more than our target of 120, and 14 students in our Transitions 7-11 programme, 6 less than our target. Recruitment to the 7-11 programme was impacted negatively by the COVID-19 pandemic which prevented us from delivering planned 'engagement' workshops in targeted SIMD 20 Schools.

In the priority areas of SIMD 20 in the Transitions programme, 77% of the cohort were from a SIMD20 background, 14% of the cohort were care experienced or estranged and 17% of the cohort were black, Asian or minority ethnics. It is gratifying that RCS was successful with a submission to SFC to expand the programme from 2020-21.

During the year the Contextualised admissions policy was further refined and expanded to cover estranged student status.

At the end of 2019 an independent external review of RCS's complaints process and the culture of the Contemporary Performance Practice programme was commissioned. The review team made a number of

observations and recommendations which have been accepted and a full action plan to respond to the issues it raised has developed along with timelines for implementation and oversight arrangements.

Like many institutions the RCS has been engaged in intensive work on antiracism in the later part of AY 2019-20, following the global prominence of the Black Lives Matter Movement. Although we had begun a wide-ranging project on decolonisation as part of the planning for our Learning and Teaching Strategy (from 2020), we had not given the issue of racism on campus, in our system or policies enough attention, which led to a frank appraisal of where RCS needs to improve the experience of Black and Minority Ethnic students and staff as a priority.

RCS published its Anti-Racism Action Plan on 1st September 2020. The plan will continue to be updated as more resources become available, including individual programme Decolonisation of the Curriculum plans. Colleagues have already begun the work of introducing or consolidating repertoire and learning materials that originate in Black and Global Majority cultures. We will also be conducting a review of practices in productions and performances that have been identified as disadvantaging students of colour as well as recruitment practices for attracting a more diverse range of applicants to RCS.

Advancing Life Long Learning

The RCS remains committed to the advancement of lifelong learning through a range of services and initiatives and engages actively in the national level debate around high quality provision in arts education including formal membership of Music Education Partnership Group and through meeting targeted outcomes as detailed in the Fair Access Plan. RCS has also taken an enhanced leadership role through embedding the work of the Scottish Drama Training Network across its portfolio and will continue to deliver enhanced provision in consultation and collaboration with the college sector.

This year saw the launch of PGDE in Music- a programme of professional learning at postgraduate level leading to GTCS registration in Music Education which expands the possible routes to classroom teaching in music. A partnership has also been developed with the Scottish Schools Pipe and Drums Trust to facilitate internships for instrumental tuition in schools.

The Transitions programme noted above enables a wide range of young people from challenging socio-economic backgrounds to access RCS provision: a combination of juniors, bespoke mentoring and access to Short Courses. Targeted enhancements to our provision includes the delivery of the newly validated Music Leaders Award. This credit-bearing programme (SCQF level 6) offers significant enhancements to music recognition and achievement awards in Scotland. RCS staff and students also participated in the Benedetti Sessions with Nicola Benedetti the Patron of the Junior Conservatoire at the RSNO/Royal Concert Hall.

Summer schools and other pre-HE activity was impacted by the lockdown, however courses were swiftly re-designed and offered within a reduced portfolio. Feedback was overwhelmingly positive and will inform the development of a range of digital online courses in the future.

Embracing our role as a national and international performing arts institution

An invitation was accepted to join an international benchmarking group with UniArts Helsinki (incorporating Sibelius Academy), Academy of Music and Drama Gothenburg and Bern University of the Arts. In addition to exchange of information and ideas this opens up possibility for staff and student connections and exchanges.

RCS hosted the CUK biennial conference during the year with the themes of Inspiring the Learner Journey, The Digital Future, Art-Making in Troubled Times: An Ecological Approach to Learning and Safe Space and Resilience. This had representation from all of the UK conservatoires with Karen Watt, Chief Executive of SFC and Chris Van Der Kyl, founder of 4j Studios as the keynote speaker.

In addition to the Erasmus + exchange programme project underway with The Yerevan Conservatoire in Armenia a new project bid was successful during the year in partnership with the Tbilisi State Conservatoire in Georgia which will commence in 2020-21.

The postgraduate learning and teaching department secured a contract to provide professional development to staff of the Hong Kong Academy of the Performing Arts with the prospect that this could evolve into accredited delivery.

COVID-19

In common with most HEIs in Scotland RCS moved to remote working from Friday 20 March 2020. This presented considerable challenges to continue to deliver on line teaching across all of the performing arts disciplines in addition to running the support department operations.

RCS has participated in the UK Government-funded coronavirus job retention scheme which has provided valuable funding support to compensate for staff who were unable to undertake work during the lockdown period. RCS supplemented the grant to ensure that the staff involved suffered no loss of earnings.

Extensive planning has taken place across all aspects of the operation in readiness for the commencement of the new academic session, including the development of an approach to the delivery of the curriculum which blends face to face and on-line activity and preparing the campus to create a safe and welcoming environment for students and staff.

Estates and Infrastructure Developments

The uncertainty and disruption caused by COVID has resulted in a pause in progression with any major building developments. A feasibility study on options to expand facilities at the Wallace Studios was received and considered but is on hold until future estate requirements can be more clearly defined. Further analysis during the year on the possible implementation of a combined heat and power system indicated that it was uneconomical and ineffective in terms of carbon reduction objectives. RCS intends however to progress with a solar power project as soon as practicable.

Other building improvements during the year included an upgrade of audio visual facilities in the Board Room and Conference Room to improve video-conferencing and distance learning capability and improve the quality of remote auditions. New and extended acoustic drapes have been installed in several rehearsal rooms improving the quality of these spaces. A project to upgrade the building energy management system on a phased basis continues. The IT back up reliance project to build mirror server capacity at the Wallace Studios progressed in the early part of the year but has been delayed during lockdown and will be completed this coming year.

Having occupied a new student accommodation development in Dunblane Street under licence in its first year of operation in 2019-20, RCS has now formally signed a lease with the provider for the provision of 164 rooms which are high specification and have been welcomed by students.

Research and Knowledge Exchange

In 2019-20, Research and Knowledge Exchange activity continued to expand in the range, scope and quality of its activity. From the extremely challenging circumstances of the global pandemic has come a number of new and exciting initiatives, including the move online of our Exchange Talks series, which has gathered a new international audience thanks to promotion through colleagues' extensive networks.

The pandemic also accelerated the rapid development of our innovative entrepreneurship summer school SHIFT, funded through the Universities Innovation Fund. The success of last year's first iteration led to a request from the wider HE sector that it be opened up to students beyond the consortium of the RCS, Glasgow School of Art and Queen Margaret University. This was facilitated by a move to a multi-platform online format, which has received the highest praise from participants.

Doctoral degrees celebrated the twentieth anniversary of the historic partnership with the University of St Andrews by welcoming the largest-ever intake of new students, supplemented by two students funded by the Scottish Graduate School for Arts and Humanities (SGSAH), and two by the Carnegie Trust for the Universities of Scotland, which accepted applications from the RCS for the first time. The 2019-20 application round saw further success in the highly-competitive SGSAH competition, and the year rounded off with the programme being invited to participate in an international benchmarking exercise with a group of senior peers that include world-leaders in the field of artistic research in music. The results of that exercise will inform future strategy for doctoral programmes.

Preparations for REF2021, which was postponed for four months on account of the pandemic, have continued, with all the RCS's 'Independent Researchers' now identified in the course of 2019-20. The submission will now be finalised, informing core funding for research from 2022. That year will also see the rebalancing of the SFC's research funding for music, drama and dance, which has received a subject weighting a third lower than that used by Research England. This resolution of this disparity has been the subject of sustained lobbying, culminating in a detailed submission to the SFC Subject Weightings Review, and will remedy a historic differential in funding with our competitors in England.

Following the delivery of the Innovation Hub Feasibility Study, and a detailed Internal KE Audit, a project lead has been appointed, with a remit to develop the business case and options for pursuing this key strategic project. An AHRC-funded 'Athenaeum Leadership Fellow' was appointed with expertise in the use of digital technology and Artificial Intelligence to achieve a step change in the understanding of audiences. We are now pursuing a major bid for funding from the Economic and Social Research Council for a five-year investment from their Centres scheme, bringing together a team of investigators from within the RCS supported by an external Advisory Board that includes expertise and insight at the highest levels from HE, tech, the creative industries and the cultural sector.

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 Outcome Agreement for 19-20 focused on consolidating the case for sustainable funding investment in the arts more generally in Scotland, in early years and young people's education (particularly in Music) and in the role that RCS can play, both nationally and internationally as a centre of excellence for performance and pedagogy in the arts. The National Role of RCS was given considerable attention, including commitments to grow the scope of partnerships (both in terms of professional companies and Local Authorities) and to explore ways in which RCS's provision could be better disseminated and shared with the schools and colleges sectors.

This all built upon the previous year's instruction to SFC (contained in the Minister's letter of guidance) to consider how Outcome Agreements can better recognise the contribution of specialist arts institutions to skills, culture and society was repeated in the 2020 guidance and RCS took the opportunity to supply numerous examples (via embedded video links) of practical work undertaken both in the Fair Access Directorate and in the BA Performance (in BSL and English), for example. The Outcome Agreement also focussed on graduate destinations and the very high employment outcomes for performing arts graduates, whilst reflecting on the need to continue to support and develop grassroots and arts programmes/interventions for young people, enabling them to consider study at the RCS. Particular attention was drawn to RCS's track record with placement/industry experience for every student during the course of their studies, and emphasised that the creative economy is growing faster than the general economy, pointing to an increased need for relevant skills in graduates, at the same time as further investment in pre-HE access to the arts is essential to maintain the talent pipeline. The Board of Governors approves both the Outcome Agreement and the associated annual self-evaluation report prior to submission to SFC. The RCS's 2019-20 Outcome Agreement and associated progress report can be found at:

https://www.rcs.ac.uk/why_rcs/vision-and-governance/accounts/

Future prospects

A new 5-year strategic plan was to be launched in 2020 but the Board of Governors has decided to postpone the launch by one year due to the disruption and uncertainty resulting from the COVID pandemic and to allow time to respond to a future operating environment that may well be markedly different from that anticipated during the earlier development of the plan.

The main themes of the new plan are built around the concept of 'the Creating Conservatoire' with students as interpreters, creators and generators of new work, innovators, collaborators and entrepreneurs in their art forms. Against the backdrop of ever greater financial challenges and major geo-political upheaval the plan will also focus on the size and scope of the RCS, aim to streamline the curriculum, foreground the education pedagogical skills also influenced by recent development in blended learning, create an Innovation Hub as part of research and knowledge exchange while also aiming on building financial and philanthropic support for the institution and develop the estate in support of these objectives.

The financial outlook, already challenging due to a further increase in pension costs, has been exacerbated due to the direct and indirect consequences of the pandemic. Projections for tuition fees have been reduced both for HE and pre-HE programmes, and income from donations and investments and front of house activities are also expected to show substantial reductions. Although there is some support from the furlough scheme and no salary award for the year there is still a substantial budget deficit for 2020-21.

Given the scale of uncertainty at this time the Board and the senior executive are engaged in scenario planning to inform these plans and to ensure that RCS remains both a sustainable *and* a highly regarded international centre of excellence that plays a full and important role in society.

Academic developments

The postgraduate curriculum review was successfully completed during 2019-20 with three new programmes also validated and launched: Artists' Diploma (Music), Advanced Postgraduate Diploma (Music) and a Master of Fine Arts Acting/Directing Classical and Contemporary Text. A Masters in Creative Producing and an MA in Psychology for the Arts are being developed with a view to being introduced in 2021-22.

Access and employment of disabled persons

The RCS'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 RCS.

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 RCS 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 RCS 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 RCS has been dealing with the impact of COVID-19 this year and has made the move to blended learning, providing support, guidance and assistance to our community to allow us to achieve this successfully. Our focus has been the health, safety and wellbeing of staff and students, including our "Play your Part" and "Welcome Back" initiatives developed in consultation with the Students' Union which enabled a safe return to the RCS premises in September 2020.

The RCS continues to develop and expand its policies and procedures for challenging and eliminating inappropriate behaviour within the performing arts sector. In addition to a revised Dignity at Work and Study Policy active bystander training for all staff and students is taking place this coming year as part of the anti-racism plan.

Financial ResultsFinancial SummaryRCS Results

	2020 £'000	2019 £'000
Income	25,346	24,283
Expenditure	<u>25,196</u>	<u>23,750</u>
Surplus before other gains and losses	150	533
Loss on disposal of fixed assets	(5)	(4)
Realised loss on investments	<u>(87)</u>	<u>(13)</u>
Surplus before unrealised gains and losses	58	516
Unrealised (loss)/gain on investments	<u>(192)</u>	<u>280</u>
(Deficit)/surplus for the year	<u>(134)</u>	<u>796</u>
Capital expenditure	<u>376</u>	<u>630</u>
Cash and cash equivalents	<u>2,808</u>	<u>3,289</u>
Net current assets	<u>3,199</u>	<u>3,268</u>
Pension (liability)/asset	<u>(5,824)</u>	<u>714</u>

The surplus for the year before unrealised gains and losses is £58,000 (2019: a surplus of £516,000). This is in line with the budget set for the year and a positive outturn given the challenges posed by the pandemic in the second half of the year. Loss of income from cancellation and curtailment of short courses, box office and lettings and increased pension service charges for the year were offset by grant income from the Coronavirus Job Retention Scheme, savings in departmental and establishment expenditure due to the building closure and by the receipt of an interim insurance claim for business interruption.

The position relating to the RCS's involvement in Strathclyde Pension Fund has deteriorated significantly due to a weakening of the actuarial assumptions and results is a net pension liability at 31 July 2020 of £5,824,000 (2019: a net asset of £714,000). Accounting policy 1h and note 23 to the financial statements disclose details of the treatment of pension assets/liabilities in the financial statements.

Cash on hand including short term investments at 31 July 2020 was £4,199,000 (2019: £4,597,000).

Summary of Investment Performance

The RCS'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
%	%	%
-4.4	-1.0	+3.4

There are three portfolios which are identical in terms of asset allocation, stock selection and the weightings in individual holdings. The performance of the General Fund has varied slightly as there has been a regular addition of funds for investment over the course of the year.

The investments have returned -1% for the year to 31st July 2020, compared to the benchmark which returned -4.4%. The investments produce an estimated annual gross yield of 3.5% which is an important part of the total return. The investments are well diversified and positioned against a fluid economic and political backdrop.

The RCS has divested from direct investment holdings in oil, gas and mining stocks and has invested a proportion of the portfolios in renewables. This is illustrative of the RCS'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 RCS is willing and prepared to take, risks that the RCS needs to reduce and risks that the RCS 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 RCS 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 and reputation	Low
Financial stability and flexibility	Low
People and culture	Medium
Major events	Low
Physical environment	Medium
Virtual environment	Medium

The Board of Governors manages these risks through the senior management team which, together with lay Governor participation, 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 most significant risks facing RCS at this time are the impacts of COVID and Brexit which affect all aspects of the corporate risk register. The higher strategic risk areas within the corporate risk register are regarded as being:

Failure to recruit a sustainable student population in terms of quality and diversity

The diminishing opportunities for young Scots to access sustained access to high quality performing arts education, further disrupted by COVID, is of concern to RCS for future home recruitment prospects, particularly in light of the likely impact of Brexit on undergraduate student numbers from EU countries. RCS mitigates this risk through:

- extending the reach and improving the quality of provision through its Junior Conservatoire and Music Centres
- Offering specialisms in pedagogy throughout our programmes;
- Lobbying for free or low cost music tuition directly and through partnerships such as the Music Education Partnership Group;
- Offering bursary support for the Junior Conservatoire;
- Offering a Music Leaders Award to recognise achievement in area outside the school music curriculum;
- Working with colleges through convenorship of the Scottish Drama Training Network;
- The Transitions/Widening Access to the Creative Industries Initiatives
- Extending our international reach for high quality students

Failure to maintain financial viability in the short to medium term

In common with the rest of the HE sector across Scotland RCS has been grappling with the major uncertainties surrounding income streams due to the COVID pandemic, particularly overseas tuition fee income for the coming year and the longer term consequences of a major shortfall in 2020-21. RCS mitigates this risk through:

- Lobbying Scottish Government/SFC to address funding differential with our main competitors in England
- Identifying budget savings in 20-21 including a zero pay award and suspension of salary increments;
- Monitoring and management of offers and acceptances weekly in the lead up to 20-21 matriculation;
- Increased focus on generating a financial contribution from pre-HE and other short course activities;
- Close monitoring of cash balances and cash flow projections;
- Working with external economic consultants supporting development of a funding strategy;
- Pursuing a business interruption insurance claim to mitigate the financial impact of COVID;
- Accessing UK and Scottish Government COVID support packages where appropriate.

Failure to adapt to maintain longer term financial sustainability including the management of pension costs

The challenge of longer term financial sustainability cannot be separated entirely from the issues which face RCS over the short/medium term and many of the mitigants overlap and support both risk areas. Other mitigations include:

- Institution-specific lobbying as the nation's only conservatoire;
- Continue to market RCS positively internationally and emphasis that programmes represent good value for money in the conservatoire sector;
- Diversity of provision offers flexibility of recruitment in a rapidly changing environment;
- Planning for a range of scenarios in response to possible financial landscapes.
- Annual pension scheme actuarial assumptions are pro-actively managed to more accurately reflect the Conservatoire's particular membership profile.

Failure to raise sufficient support for scholarships

This risk has increased as a result of the decline in income and donations to the RCS Trust which is the main provider of scholarship support for RCS students and which is happening at a time of increased need from students caused by the global economic downturn and the forthcoming impact of Brexit on the tuition fee regime. RCS mitigates this risk through:

- Working with the RCS Trust and RCS Endowment Trust to secure support to be able to maintain scholarships in the short/medium term until other sources of income recover;
- Engagement with the Scottish Government/SFC to maximize the benefit for RCS of the proposed new government scholarship scheme in support of International/EU students following the change to tuition fees
- Establishment by the Board of a development/fundraising committee with scholarships as a prime focus
- The International Advisory Board continuing to raise funds for scholarships in the USA
- Representation on the ABRSM which is a major donor to RCS Trust to influence strategic direction

Detrimental changes to Scottish and/or UK HE policy

The tuition fee status for the new intake of EU undergraduate and postgraduate students post-Brexit from 2021-22 has been confirmed but the allocation of the related funding including the proposed scholarship scheme is still under discussion. There remains uncertainty about if, how and when the Auger Report recommendations on higher and further education funding in England will be implemented and more broadly what the ramifications of the UK Internal Markets Bill will be for UK tuition fee regimes. RCS mitigates this risk through:

- Building international contacts to mitigate Brexit but also continuing to cultivate European connections
- Increasing recruitment efforts elsewhere in UK
- Advocating for particular need for International/EU scholarship fund post-Brexit to support recruitment
- Modelling different future student demographic scenarios within the programme portfolio
- Continuing to build relationships with specialist music schools and key secondary schools in both Scotland and England

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 RCS's activities.

	2019-20	2018-19
Income growth and diversity		
Surplus before other unrealised gains and losses as a percentage of turnover	0.2%	2.1%
Surplus before other unrealised gains and losses	£58K	£516K
Financial forecast operating (deficit)/surplus (based on FRS 102)		
2019-20	£(311)K	£52K
2020-21	£(2,060)K	£(201)K
2021-22	N/A	£(371)K
Percentage of funding		
SFC	49%	51%
Undergraduate and postgraduate tuition fees	34%	34%
Junior Conservatoire and short course tuition fees	8%	10%
Box office and letting	1%	1%
Donations and other income	8%	4%

	2019-20	2018-19
Infrastructure		
Capital Investment as % of insurance value	0%	0%
Building condition		
Category A – as new	65%	64%
Category B – completely fit for purpose	30%	31%
Category C – in need of improvement	5%	5%
UG and PG Applicant demand, student achievement and satisfaction		
Applicants:		
Scottish	1,239	1,276
EU	688	662
RUK	1,670	1,494
International	876	798
Total	4,473	4,230
Students:	No %	No %
Scottish	601 48	607 48
EU	190 15	187 15
RUK	227 18	221 18
International	243 19	239 19
Total	1,261 100	1,254 100
Applications: offers : acceptances	9.8: 1.5: 1	9.6: 1.6: 1
Percentage of applicants with a declared disability	16%	15%
Percentage of undergraduate and postgraduate students with a declared disability	27%	30%
Scots undergraduate applicants from SIMD 20/40 as percentage of total Scots applicants	26%	23%
Scots undergraduate entrants from SIMD 20/40 as percentage of total Scots entrants	30%	30%
Scots undergraduates from SIMD 20/40 as percentage of total Scots undergraduates	29%	30%
Student Achievement Rate ¹	88%	93%
Course Completion Rate + 2years ²	81%	83%
External engagement		
National Student Survey overall satisfaction rating	86%	73%
HESA Graduate Outcomes percentage in work or further study	90%*	98%
Number of internally generated student performances ³	271	519
Audience number ³	29,523	55,705
Audience number as a percentage of capacity	59%	59%

*Graduate Outcome – cannot be directly compared to previous year as the survey has been changed.

Of graduates who responded to the survey, 90% were in some form of work or further study (equal to HESA national average of 90%). The remaining 10% were unemployed or doing another activity such as travelling, caring for someone, or, retired.

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 + 2 years is a measure (expressed as a %) of students who commence a programme and complete that programme within 2 years of the standard course duration. Due to Coronavirus there a number of deferred assessments for some instruments and programmes.

³As a result of the pandemic RCS closed the campus from 20 March 2020 and there were no public performances or audiences attending for the remainder of the financial year.

THE BOARD OF GOVERNORS OF THE ROYAL CONSERVATOIRE OF SCOTLAND

The Board of Governors of the RCS is unambiguously and collectively responsible for overseeing the RCS's activities, determining its future direction and fostering an environment in which the RCS's mission is achieved and the potential of all of its students is maximised. The Board of Governors ensures that the RCS 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 RCS, 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 RCS 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 RCS 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 RCS 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, its Committees and the Chair 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 RCS, and with the principles of public life drawn up by the Committee on Standards in Public Life.

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

To safeguard the good name and values of the RCS.

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 RCS and to be responsible for establishing a human resources strategy together with all relevant human resources policies.

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

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

To be the RCS'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 RCS'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 RCS.

To ensure that the RCS'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 constructively challenge and support the management of the RCS.

Reserved Powers

- The appointment and dismissal of the Chair 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 RCS'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 RCS's policies in respect of:
 - Health and safety
 - Equality of opportunity
 - Human resources
 - Dignity at Work
 - Treasury Management
 - Investment Management
 - Business Continuity
 - Reserves
- 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 RCS
- 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 RCS'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 RCS endeavors to include and abide by specific payment terms. The creditors' balance at 31 July 2020 represented 5% of total purchases for the year, equivalent to 17 creditor days. No interest was paid in terms of the Late Payments of Commercial Debts (Interest) Act 1998.

APPROVED BY THE GOVERNORS ON 30 OCTOBER 2020 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg
Chair



Professor Jeffrey Sharkey
Principal

GOVERNORS' REPORT

Honorary doctorates of the Royal Conservatoire of Scotland

The following honorary doctorate was awarded during the academic session 2019-20:

Doctor of the Conservatoire

Professor Norman Sharp OBE

Governors

The Governors set out in the table below have held office during the whole of the period from 1 August 2019 to the date of this report unless otherwise noted.

Lay Governors

Nick Kuenssberg OBE (Chair)
 John Hylands (Vice Chair) (Retired 28/10/20)
 Tari Lang (Vice Chair) (Resigned 21/10/20)
 Agnes Robson (Vice Chair)
 Andrew Butcher (Appointed 1/11/19)
 Morag Campbell (Appointed 1/11/19)
 Professor Stuart Cross (Appointed 1/11/19)
 Mark Leishman CVO (Resigned 19/9/20)
 Professor Donald MacRae OBE
 Carol Main MBE
 Sharon Mair
 Dorothy Miell (Appointed 1/11/19)
 Sir Jonathan Mills (Resigned 21/10/20)
 Ed Monaghan
 Philip Rodney (Appointed 1/11/19)
 Caroline Roxburgh
 Maria Taylor (Senior Independent Governor)
 Colleen Toomey (Resigned 21/10/20)

Governors ex officio

The Principal:
 Professor Jeffrey Sharkey

The Assistant Principal:
 Lois Fitch (Appointed 28/2/20)

The President, Students' Union:
 John Anthony Craig (From 1/8/20)
 Jasmine Munns (To 31/7/20)

Nominated by Academic Board
 Jean Sangster

Student nominated

The Vice President, Students' Union
 Ken Fairbrother -Music (From 1/8/20)
 Zweyla Mitchell Dos Santos -DDPF (From 1/8/20)
 Aidan Teplitzky (To 31/7/20)

Staff Governors-elected

Susan Lee Kidd

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 RCS has arrangements for directors' and officers' liability insurance cover.

Governors' interests

Susan Lee Kidd	60 ordinary shares of £1
Nick Kuenssberg OBE	60 ordinary shares of £1
Professor Jeffrey Sharkey	120 ordinary shares of £1
John Anthony Craig	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 Chair to vote in accordance with the wishes of the Governors on certain matters. The RCS 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 RCS'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, the President of the Students' Union is a member of the Nominations and health, Safety & Welfare Committees 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 professional services 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 RCS'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 RCS is to be proposed at the forthcoming annual general meeting.

APPROVED BY THE GOVERNORS ON 30 OCTOBER 2020 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg
Chair



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.

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

Para 20: Formulate rules for eligibility to stand for election as Chair

Para 59: Develop election rules for the Chair

The RCS has updated its constitutional documents, which came into force on 28 February 2020, to effect the requirements of the Higher Education Governance (Scotland) Act 2016 including the development of election rules for the election of the Chair. The rules for eligibility to stand for election as Chair are currently being drafted and reviewed and will be approved by the Board of Governors by the end of 2020.

All Governors are made aware of the Governor Development Programme offered by Advance HE. In 2020 one Governor attended the Scottish Governance Symposium on 'governance in HE, with a particular take on the emerging impact of the legislation on governance in Scottish HE institutions, considering progress on outcome agreements and a wider analysis of the funding landscape'.

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 Chair, 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 committed to achieving a minimum of 40% of either gender of lay governors by 2018 and this was achieved. The current Governing Body in 2020 comprises 58% female and 42% male of lay Governors. During the year the Governors were invited to submit details of protected characteristics which will be considered on an anonymised basis by the Nominations Committee so as to inform future recruitment to the Board of Governors. In 2020 the RCS began work on a comprehensive Anti-Racism Action Plan which is live on the RCS website under Equality and Diversity. This is a working document and subject to changes as the year progresses. In it is a commitment that "We will include more people of colour in our Board with an interest in Diversity and Inclusion issues and publish the profiles of Board members on our website" (Responsible: Nominations Committee, Board of Governors; RCS Senior Leadership & Director of External Relations).

Size and Composition of the Board of Governors

As of the date of this report, the Board of Governors comprises 19 Governors – 13 Lay Governors (including the senior lay governor – the Chair), 3 ex officio and 3 elected/nominated Governors. Board of Governors membership is given at page 16 of this report. The RCS'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 of Governors – some of which are, we believe, unique to the RCS. Most obviously, and in common with all other HEIs, the Board of Governors needs to ensure that the skills and experience profile of its total membership is sufficient to meet the Board of Governors' 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 of Governors also seeks to recruit Governors from the length and breadth of Scotland and, in support of the RCS's international profile and ambitions, from out with Scotland. The Board of Governors also believes that, in the context of the RCS'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 RCS's Board of Governors has always been closer to the maximum number permissible of 19 rather than the minimum number of 11.

The Board of Governors consists of:

Lay members with proven experience in the performing arts, industrial, commercial or employment matters or the practice of any profession;

Governors ex officio – the Principal, the Assistant Principal and the President of the Students' Union; and

A Governor appointed by the Academic Board of Governors, a Governor elected by academic staff, a Governor elected by professional services staff and a second student member appointed by the Students' Union (Students' Union Vice President).

The Board of Governors elects the Chair and Vice-Chairs from those in category 1 above.

The business of the RCS 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 of Governors is responsible for the RCS'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 of Governors meets five times per year and, additionally, normally holds an annual off-site meeting to consider strategic planning issues. The Board of Governors has several committees, memberships of which are listed on page 47. All of these committees are formally constituted with terms of reference. Five of these committees are particularly important in ensuring that the RCS 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 RCS. 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, five elected academic staff members and a lay governor in attendance.

The Finance and General Purposes Committee inter alia recommends to the Board of Governors the RCS's annual revenue and capital budgets and monitors performance in relation to these approved budgets.

The Committee examines all matters which have major financial implications for the RCS and therefore it is involved in the examination of all aspects of the RCS's planning and budgetary processes. The scope of the Committee's remit may, from time to time, include the examination of issues which extend beyond financial, but which are nevertheless of strategic importance. In carrying out its broad remit, the Committee will:

- scrutinise draft budgets and forward financial forecasts and make recommendations to the Board of Governors for approval of those draft budgets and forecasts;
- scrutinise monthly management accounts;
- monitor and examine key performance indicators;
- scrutinise draft statutory accounts prior to audit and thereafter consider and finally recommend audited accounts to the Board of Governors for adoption;
- monitor treasury management activities and, in particular:
 - appoint/re-appoint investment managers
 - set the parameters of investment policy within which investment managers will operate
 - monitor the performance of investment managers;
- scrutinise proposals for material alterations to staff contractual arrangements, including pensions provision, and make recommendations to the Board of Governors accordingly; and
- prior to its submission to the full Board, receive and comment upon the annual report in respect of progress in relation to the Strategic Plan and the Outcome Agreement.

The membership comprises the Chair of the Board of Governors, Principal and five Lay Governors. The Convenor of the Audit Committee is in attendance. Whilst the Director of Finance and Estates and Deputy Director of Finance attend meetings of the Finance and General Purposes Committee, they are not members of the Committee.

The Remuneration Committee is responsible for:

- Formulating, advising on and keeping under review the RCS's policy and procedures for remuneration of senior staff, for approval by the Board of Governors;
- Reviewing and determining the salary and terms and conditions of members of senior management;
- Formulating and advising on the RCS'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 of Governors concerning remuneration and terms and conditions of senior staff; and reporting its decisions to the Board of Governors.

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 Director of Human Resources, the Director of Fair Access, the Director of Drama, Dance, Production and Film, the Director of Music, the Director of Business Development and the Director of Research and Knowledge Exchange.

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 RCS, 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 Chair and takes account of the RCS's plans and achievements. The Chair takes soundings from Board of Governors 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 RCS pay award.

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

The Audit Committee was established by the Board of Governors to advise and assist on the assurance and control environment of the RCS in respect of:

proper financial management;
safeguarding the RCS's assets;
the economy, efficiency and effectiveness of the RCS's activities;
corporate governance and the conduct of the RCS's operations;
risk management and
counter-fraud and whistleblowing.

The duties of the Committee include:

review and advise on the appointment, fees, scope and effectiveness of internal and external auditors;
receive their reports and discuss appropriate action with senior management and the Board of Governors in relation to the effectiveness of the RCS's financial and other internal control systems and for ensuring that value for money is achieved;
approve the external audit plan;
approve the internal audit plan;
audit needs assessment;
ensure that risk management systems are in place;
review reports on risk management arrangements;
consider and recommend annual audited financial statements to the Board of Governors;
review reports from relevant bodies including the Scottish Funding Council, Audit Scotland and the National Audit Office and
producing an annual report for the governing body, including its opinion on the adequacy and effectiveness of governance arrangements and financial controls.

Annually the Committee meets formally with the external auditor and the internal auditor for independent discussions.

The current membership of the Committee consists of a minimum of 3 Lay Governors one of whom may be a member 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 and Deputy Director of Finance attend meetings of the Audit Committee, they are not members of the Committee. Once a year the Committee formally meets with the external auditor and the internal auditor for independent discussions.

Risk Assessment and Management

The RCS Senior Management Team, together with one Lay Governor, 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 RCS management teams. The Strategic Risk Register is reviewed regularly by the RMG, the Audit Committee and the Board of Governors.

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 RCS has been in place for the year under review and up to the date of approval of these financial statements.

The RCS's Risk Management process is compliant with the terms of the Scottish Code of Good Higher Education Governance.

The Internal Auditors of the RCS 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 the opinion of the Internal Auditors for the financial year RCS has a framework of controls in place that provides reasonable assurance regarding the adequacy and effectiveness of the organisation's governance, risk management, internal controls and value for money.

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 RCS.

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 RCS'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. In 2019 the Board of Governors approved the formation of a Development and Fundraising Committee to focus specifically on this area;

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;

Reserves

The Board of Governors through the Finance and General Purpose Committee undertakes an annual review of the adequacy of reserves to support the RCS's operational and strategic requirements. The latest review in October 2020 confirmed that the level of reserves was adequate for these purposes.

Going Concern

As noted in the Annual Report, the RCS has produced a modest operating deficit for the year under review after unrealised losses on investments. The latest information available indicates that the forecast outturn for the year ahead will be an increased operating deficit. However, taking into account current liquidity, cash flow projections, future expected cash generation and the level of applications for places on programmes commencing in September 2021, it is considered that there are adequate resources to meet the RCS's future financial commitments. There are currently long term borrowings of £1,418,000 from the RCS Infrastructure Trust which are not repayable on demand and are offset by cash and unrestricted investments as set out in the statement of cash flows and notes 12 and 14 to the accounts. The Governors believe that the RCS can manage its business risks despite the current uncertain economic outlook and have a reasonable expectation that the RCS will continue to receive adequate support from the SFC and from the RCS Trusts. Accordingly, the Governors consider that RCS will have sufficient resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

APPROVED BY THE GOVERNORS ON 30 OCTOBER 2020 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg
Chair



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 RCS, 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 RCS 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 RCS 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 2019 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 RCS will continue in operation. The Governors are satisfied that the RCS 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 RCS and hence to take reasonable steps to prevent and detect fraud and other irregularities;
- Secure the economical, efficient and effective management of the RCS's resources and expenditure, and
- Ensure sound corporate governance and the proper conduct of the RCS's operations.

The key elements of the RCS'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 outcomes;
- 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 RCS and an opinion on the adequacy and effectiveness of the RCS'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.

Impact on internal controls of COVID-19

The RCS has maintained a robust governance and internal control structure throughout the year despite the disruption to the normal business operation caused by COVID-19. The Board of Governors and its sub committees and internal management committees have continued to function and report as usual with full agendas through remote meetings. The internal controls in place for the on-going financial and administrative management of the business have been amended as necessary to accommodate remote working and have operated effectively.


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 30 OCTOBER 2020 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg
Chair



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

In our opinion the financial statements:

- give a true and fair view of the state of the RCS's affairs as at 31 July 2020, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

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 RCS 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 RCS'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 chair'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.

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 annual report (incorporating the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 RCS 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;
- Funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum and the requirements attached to the Financial Memorandum; and
- The requirements of the Scottish Funding Council's accounts direction have been met.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the RCS and its environment obtained in the course of the audit, we have not identified material misstatements in the annual report (incorporating the strategic report and the directors' 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 require us to report to you if, in our opinion:

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

Responsibilities of the Board of Governors

As explained more fully in the governors responsibilities statement, the governors (who are also the trustees and directors of the RCS for the purposes of charity and company law) 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 RCS'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 trustees either intend to liquidate the RCS 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.

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 auditor's report.

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

Use of our report

This report is made solely to the RCS's governors, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and in accordance with Regulation 14 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the RCS's 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 RCS, the RCS's governors as a body, for our audit work, for this report, or for the opinions we have formed.



Jeremy Chittleburgh CA (Senior Statutory Auditor)

For and on behalf of Chiene + Tait LLP

Chartered Accountants and Statutory Auditor

61 Dublin Street

Edinburgh

EH3 6NL

3 November 2020

Statement of Comprehensive Income for the year ended 31 July 2020

	Note	2020 £'000	2019 £'000
INCOME			
Funding body grants	2	12,437	12,247
Tuition fees and education contracts	3	10,577	10,510
Research grants and contracts	4	154	63
Other income	5	1,342	991
Investment Income	6	273	193
Donations and endowments	7	563	279
Total Income		25,346	24,283
EXPENDITURE			
Staff costs	8	19,142	18,051
Other operating expenses	10	5,160	4,805
Depreciation	11	894	894
Total Expenditure		25,196	23,750
Surplus before other gains and losses		150	533
Loss on disposal of fixed assets		(5)	(4)
Realised loss on investments		(87)	(13)
Surplus before unrealised gains and losses		58	516
Unrealised (loss)/gain on investments	12	(192)	280
(Deficit)/surplus for the year		(134)	796
Actuarial loss in respect of pension schemes	23	(5,426)	(2,013)
Unrealised surplus on revaluation of tangible fixed assets	11	368	-
Total comprehensive income for the year		(5,192)	(1,217)
Represented by:			
Endowment comprehensive income for the year		-	148
Restricted comprehensive income for the year		66	141
Unrestricted comprehensive income for the year		(5,258)	(1,506)
		(5,192)	(1,217)

All items of income and expenditure relate to continuing activities

Statement of Changes in Reserves for the year ended 31 July 2020

	Share Capital	Endowment	Income and Expenditure Reserve		Revaluation Reserve	Total
	£'000	£'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2018	8	1,894	266	22,755	1,296	26,219
Surplus from the comprehensive income and expenditure statement	-	148	141	507	-	796
Other comprehensive income	-	-	-	(2,013)	-	(2,013)
Transfers between revaluation and income and expenditure reserve	-	-	-	(149)	149	-
Release of restricted funds spent in the year	-	(48)	(75)	123	-	-
Transfers between Prize Fund and Unrestricted Reserve	-	(14)	-	14	-	-
Total comprehensive income for the year	-	86	66	(1,518)	149	(1,217)
Balance at 1 August 2019	8	1,980	332	21,237	1,445	25,002
Deficit from the comprehensive income and expenditure statement	-	-	66	(200)	-	(134)
Other comprehensive income	-	-	-	(5,426)	368	(5,058)
Transfers between revaluation and income and expenditure reserve	-	-	-	177	(177)	-
Release of restricted funds spent in the year	-	(82)	(133)	215	-	-
Transfers between Prize Fund and Unrestricted Reserve	-	(16)	-	16	-	-
Total comprehensive income for the year	-	(98)	(67)	(5,218)	191	(5,192)
Balance at 31 July 2020	8	1,882	265	16,019	1,636	19,810

Statement of Financial Position as at 31 July 2020
(Company Registration No.SC04703)

	Note	2020 £'000	2019 £'000
Non-current assets			
Tangible fixed assets	11	34,819	34,975
Investments	12	7,017	5,800
		<u>41,836</u>	<u>40,775</u>
Current assets			
Trade and other receivables	13	1,038	1,105
Investments	14	1,391	1,308
Cash and cash equivalents		2,808	3,289
		<u>5,237</u>	<u>5,702</u>
Less: Creditors - amounts falling due within one year	15	(2,038)	(2,434)
Net current assets		<u>3,199</u>	<u>3,268</u>
Total assets less current liabilities		45,035	44,043
Creditors: amounts falling due after more than one year	16	(18,980)	(19,330)
Provisions			
Pension provisions	23	(5,824)	714
Other provisions	18	(420)	(425)
Total net assets		<u>19,810</u>	<u>25,002</u>
Restricted reserves			
Income and expenditure reserve - endowment reserve	19	1,882	1,980
Income and expenditure reserve - restricted reserve	20	265	332
		<u>2,147</u>	<u>2,312</u>
Unrestricted reserves			
Income and expenditure reserve - unrestricted		16,019	21,237
Revaluation reserve		1,636	1,445
		<u>19,802</u>	<u>24,994</u>
Share capital	21	8	8
Total reserves		<u>19,810</u>	<u>25,002</u>

The financial statements on pages 27 to 46 were approved and authorised for issue by the Board of Governors on 30th October 2020 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
Chair

Statement of cash flows for the year ended 31 July 2020

	Note	2020 £'000	2019 £'000
Cash flow from operating activities			
(Deficit)/surplus for the year		(134)	796
Adjustment for non-cash items			
Depreciation	11	894	894
Loss/(gain) on investments		279	(267)
Increase in debtors	13	67	10
(Decrease)/increase in creditors	15 / 16 / 17	(746)	116
Decrease in other provisions	18	(5)	(135)
Pension costs less contributions payable	23	1,112	685
Adjustment for investing or financing activities			
Investment income	6	(273)	(193)
Loss on the sale of fixed assets		5	4
Endowment income		(36)	-
Net cash inflow from operating activities		<u>1,163</u>	<u>1,910</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets/investments		1,245	762
Short term investments	14	(83)	31
Investment income	6	273	193
Endowment funds invested	12	(301)	(320)
Funds invested	12	(2,440)	(2,302)
Payments to acquire fixed assets	11	(374)	(630)
		<u>(1,680)</u>	<u>(2,266)</u>
Cash flows from financing activities			
Endowment cash received		36	-
Decrease in cash and cash equivalents in the year		<u>(481)</u>	<u>(356)</u>
Cash and cash equivalents at beginning of the year		3,289	3,645
Cash and cash equivalents at end of the year		2,808	3,289

Analysis of changes in net debt

	At 1 August 2019 £'000	Cash flows £'000	Other non cash changes £'000	At 31 July 2020 £'000
Cash and cash equivalents				
Cash	3,289	(481)	-	2,808
Overdrafts	-	-	-	-
Cash equivalents	-	-	-	-
	<u>3,289</u>	<u>(481)</u>	<u>-</u>	<u>2,808</u>
Borrowings				
Debt due within one year	(66)	-	-	(66)
Debt due after one year	(1,418)	66	-	(1,352)
	<u>(1,484)</u>	<u>66</u>	<u>-</u>	<u>(1,418)</u>
Total	<u>1,805</u>	<u>(415)</u>	<u>-</u>	<u>1,390</u>

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 RCS 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 fair value and the revaluation of certain musical instruments. The presentational and functional currency of the RCS is sterling (£)

1. Going Concern

These financial statements have been prepared on a going concern basis. The Governors have assessed the RCS's ability to continue as a going concern, as outlined more fully in the Report of the Governors, specifically relating to the impacts of COVID-19, and have reasonable expectation that the RCS has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements

B Tangible Fixed Assets

1. Land and Buildings

The RCS'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 Statement of Financial Position at cost. The main RCS heritage 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 (2018: 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 land or assets in the course of construction.

2. Equipment

Equipment costing less than £10,000 for a group of related items is written off to the Statement of comprehensive income 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
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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 2019 as assessed by Mr David Ratray, an external professional valuation expert. These stringed instruments were originally brought onto the Statement of Financial Position at valuation, there is therefore no historical cost associated with these assets. A revaluation will be carried out again in 2024.

The John Webb Brass instrument collection has been revalued by Dr Graham Wells in 2020, an external professional valuation expert. These brass instruments were originally brought onto the Statement of Financial Position at valuation, there is therefore no historical cost associated with these assets. A revaluation will be carried out again in 2025.

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)

C Investments

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

D Cash and cash equivalents

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

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

E Provisions

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

F Recognition of Income

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the RCS 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 RCS 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 Statement of Financial Position 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 RCS 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 RCS 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 RCS 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 RCS has the power to use the capital.
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

G Maintenance of Premises

The RCS 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)

H Pension Costs

The RCS participates in three pension schemes two of which provide benefits based on final pensionable pay, the Strathclyde Pension Fund and Scottish Teachers Pension 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 RCS. 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' Pension Scheme

The RCS also participates in the Scottish Teachers' Pension 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 RCS 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 RCS's statement of comprehensive income and expenditure is equal to the contribution payable to the scheme for the relevant accounting period.

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

I Taxation Status

The RCS 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 RCS 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.

J Operating Leases

Operating leases rentals are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

K 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 RCS.

L Reserves

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

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

Notes to the Financial Statements (continued)

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

M Financial Instruments

Financial assets and financial liabilities are recognised when RCS 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 RCS 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 RCS 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.

N Accounting Estimates and Judgements

The RCS 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 RCS'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 RCS; 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 RCS 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

	2020 £'000	2019 £'000
SFC		
Recurrent grant for teaching	11,458	11,249
Research development foundation	261	268
Research postgraduate grant	74	74
<i>Specific initiative grants:</i>		
Disabled student premium	52	52
University innovation fund	337	347
<i>Deferred capital grants released in year:</i>		
Buildings	253	253
Equipment	2	4
	<u>12,437</u>	<u>12,247</u>

3 TUITION FEES AND EDUCATION CONTRACTS

	2020 £'000	2019 £'000
Scotland and European Union(EU) students U/G	110	75
RUK students U/G	1,578	1,622
Scotland and European Union(EU) and RUK students P/G	1,247	1,147
Non -EU students	4,130	3,884
UK further education students *	2,035	2,331
Registration fees	270	250
Total fees paid by or on behalf of individual students	<u>9,370</u>	<u>9,309</u>
Higher education contracts	1,187	1,165
Other contracts	20	36
Total	<u>10,577</u>	<u>10,510</u>

* relates to Short Courses and Junior Conservatoire programmes

4 RESEARCH GRANTS AND CONTRACTS

	2020 £'000	2019 £'000
Miscellaneous research grants and contracts	<u>154</u>	<u>63</u>

5 OTHER INCOME

	2020 £'000	2019 £'000
Income from front of house	233	327
Government grants (Coronavirus Job Retention Scheme)	333	-
Government grants (Glasgow City Council covid grant)	10	-
Sundry income	531	423
European funded projects	57	51
RCS works	100	64
QAA income	5	6
Widening access to the creative industries grant	63	63
NE Arts Hub	10	57
	<u>1,342</u>	<u>991</u>

Notes to the Financial Statements (continued)

6 INVESTMENT INCOME

Note

	2020 £'000	2019 £'000
Investment income on endowments	67	63
Other investment income	185	104
Bank interest	21	26
	<u>273</u>	<u>193</u>

7 DONATIONS AND ENDOWMENTS

	2020 £'000	2019 £'000
Unrestricted donations	497	138
Restricted donations	66	141
	<u>563</u>	<u>279</u>

Unrestricted donations includes a donation of £350,000 from the RCS Endowment Trust. Restricted donations of £66,000 relate to the redevelopment of part of the Renfrew Street Campus building.

8 STAFF COSTS

The average number of employees expressed as full-time equivalents was:

	2020 Number	2019 Number
Senior management	10	10
Teaching staff	187	189
Teaching support	27	28
Research grants and contracts	7	7
Other support services	22	22
Administration and central services	63	65
Premises	48	46
Other income generating activities	1	1
	<u>365</u>	<u>368</u>

Staff costs for the above persons:

	2020 £'000	2019 £'000
Wages and salaries	14,218	14,000
Social security costs	1,239	1,216
Pension contributions paid	2,453	1,928
Pension net service cost	1,116	770
Other staff costs	116	137
	<u>19,142</u>	<u>18,051</u>

Senior management	1,118	955
Teaching staff	10,860	10,279
Teaching support	1,360	1,270
Research grants and contracts	445	487
Other support services	1,233	1,018
Administration and central services	2,652	2,654
Premises	1,375	1,322
Other income generating activities	99	66
	<u>19,142</u>	<u>18,051</u>

Governors' salaries(included therein)

Salaries(staff members)	346	288
Pension contributions	75	50
	<u>421</u>	<u>338</u>

The number of Governors accruing benefits under pension schemes during the year was 5 (2019: 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 RCS. 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; Director of Business Development; Director of Research and Knowledge Exchange; and the RCS Secretary. Staff costs including compensation paid to key management personnel as follows:

	2020 £'000	2019 £'000
Total (including salaries, social security costs and other benefits)	1,118	955

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

	2020 £'000	2019 £'000
Principal		
Salary	146	143
Pension contributions	33	25
Benefits in kind*	4	4
	<u>183</u>	<u>172</u>
Accrued pension as at 31 July	14	12
Accrued lump sum as at 31 July	43	35

* Benefits in kind relate to private medical insurance

The ratio of the remuneration of the Principal to the median salary of a RCS staff member is 3.37 (2019: 2.88)

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

	2020 Number	2019 Number
Nil	19	18
£10,001 - £20,000	1	1
£20,001 - £30,000	-	1
£30,001 - £40,000	-	-
£40,001 - £50,000	1	-
£50,001 - £60,000	1	2
£60,001 - £70,000	1	-
£70,001 - £80,000	1	-
£80,001 - £90,000	1	-
£90,001 - £100,000	1	1

There were no other Senior Managers receiving remuneration (excluding pension contributions) above £100,000, who are not Governors.

9 TRAVEL AND SUBSISTENCE

		2020 £'000	2019 £'000
Travel and subsistence	- Board members	1	6
	- Staff	32	40
Hospitality	- Board members	3	6
	- Staff	12	15
		<u>48</u>	<u>67</u>

The total expenses paid to or on behalf of Board members was £4,000 (2019 - £12,000). 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

	2020 £'000	2019 £'000
Teaching departments	1,277	1,425
Contracted-out lecturing services	184	173
Teaching support services	374	361
Other support services	466	516
Administration and central services	657	656
General education	210	185
Premises costs	615	650
Repairs, renewals and maintenance	251	280
Conference costs	12	-
Student residences (student residency rent refunds)	485	-
Other income generating activities	356	263
Agency staffing costs	13	85
Pension fund net interest	(4)	(85)
Other expenses	264	296
	<u>5,160</u>	<u>4,805</u>

Other operating expenses include:

	2020 £'000	2019 £'000
Auditors' remuneration		
External audit	15	15
FFELP Contract	2	2
Non-audit services	-	36
Internal audit	17	17
Operating lease rentals		
Other than Land and Buildings	224	267

11 TANGIBLE FIXED ASSETS

	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 2019	30,281	11,837	5,365	913	432	48,828
Additions	-	-	313	43	46	402
Disposals	-	-	(125)	-	-	(125)
Revaluations	-	-	-	-	221	221
At 31 July 2020	<u>30,281</u>	<u>11,837</u>	<u>5,553</u>	<u>956</u>	<u>699</u>	<u>49,326</u>
<i>Aggregate Depreciation</i>						
At 1 August 2019	7,774	1,469	4,291	17	302	13,853
Depreciation charge	362	132	386	8	6	894
Disposals	-	-	(119)	-	-	(119)
Revaluations	-	-	-	-	(121)	(121)
At 31 July 2020	<u>8,136</u>	<u>1,601</u>	<u>4,558</u>	<u>25</u>	<u>187</u>	<u>14,507</u>
<i>Net Book Value</i>						
NBV at 1 August 2019	<u>22,507</u>	<u>10,368</u>	<u>1,074</u>	<u>896</u>	<u>130</u>	<u>34,975</u>
NBV at 31 July 2020	<u>22,145</u>	<u>10,236</u>	<u>995</u>	<u>931</u>	<u>512</u>	<u>34,819</u>

The RCS building on Renfrew Street may not be sold without the prior approval of the First Minister of the Scottish Government, to whom the RCS 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.

The Musical Instrument collections were revalued during the year by Mr Graham Wells, the net impact being a £342,000 increase in value which has been added to the Revaluation Reserve brought forward. Further details are provided within Accounting policies at B3 on page 31.

Notes to the Financial Statements (continued)

12 INVESTMENTS

	General Fund 2020 £'000	Prize Fund 2020 £'000	Piano Fund 2020 £'000	Total 2020 £'000	Total 2019 £'000
Market value at 1 August	4,048	895	857	5,800	3,666
Additions	2,440	154	147	2,741	2,622
Disposals	(1,001)	(169)	(162)	(1,332)	(768)
Increase in market value	(141)	(26)	(25)	(192)	280
Market value at 31 July	<u>5,346</u>	<u>854</u>	<u>817</u>	<u>7,017</u>	<u>5,800</u>
Listed investments		2020 Market Value £'000	2020 Cost £'000	2019 Market Value £'000	2019 Cost £'000
Fixed interest stocks		1,987	1,937	1,822	1,732
Equities		5,030	4,565	3,978	3,323
		<u>7,017</u>	<u>6,502</u>	<u>5,800</u>	<u>5,055</u>

13 TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	139	149
Receivables due from students - net of provision for doubtful debts	245	104
Other receivables	184	104
Prepayments and accrued income	470	748
	<u>1,038</u>	<u>1,105</u>

14 CURRENT INVESTMENTS

	2020 £'000	2019 £'000
Short term deposits	1,391	1,308
	<u>1,391</u>	<u>1,308</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 Statement of Financial Position date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2020 the weighted average interest of these fixed rate deposits was 0.43% 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

	2020 £'000	2019 £'000
Trade payables	170	266
Other creditors	235	555
Accruals and deferred income	1,567	1,547
Loans	66	66
	<u>2,038</u>	<u>2,434</u>

Accruals and deferred income at 31 July 2020 includes £350,000 payable to the RCS Endowment Trust (2019: £350,000)

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.

	2020 £'000	2019 £'000
Donations	30	30
Grant income	255	257
	<u>285</u>	<u>287</u>

16 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £'000	2019 £'000
Deferred income	17,628	17,912
Loans	1,352	1,418
	<u>18,980</u>	<u>19,330</u>

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

	2020 £'000	2019 £'000
Donations	10	40
Grant income	17,618	17,872
	<u>17,628</u>	<u>17,912</u>

17 PUBLIC BENEFIT ENTITY CONCESSIONARY LOANS

	2020 £'000	2019 £'000
Amounts repayable within one year	66	66
Amounts repayable between one and two years	66	66
Amounts repayable between three and five years	198	198
Amounts repayable in five years or more	<u>1,088</u>	<u>1,154</u>
Amounts repayable after more than one year	<u>1,352</u>	<u>1,418</u>
Total public benefit entity concessionary loans	<u>1,418</u>	<u>1,484</u>

Lender	Amount	Term	Interest rate %	Borrower
RCS Infrastructure trust	£1,885,000	2042	Nil	RCS

Notes to the Financial Statements (continued)

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions £'000
Balance at 1 August 2019	425
Increase in provision	37
Paid/released	(42)
Balance at 31 July 2020	<u>420</u>

A valuation of the existing pension provision was carried out at 31 July 2020 by Hymans Robertson, an independent firm of actuaries.

19 ENDOWMENT FUNDS - PERMANENT

	Prize Fund Capital £'000	Prize Fund Income £'000	Piano Fund Capital £'000	2020 Total £'000	2019 Total £'000
Balance at 1 August 2019					
Capital	831	-	867	1,698	1,606
Accumulated income	-	206	-	206	193
	<u>831</u>	<u>206</u>	<u>867</u>	<u>1,904</u>	<u>1,799</u>
<i>Income</i>					
Funds introduced	30	6	-	36	19
Investment income	-	35	32	67	63
(Loss)/gain on sale of investments	(12)	-	(11)	(23)	6
(Decrease)/increase in value of investments	(26)	-	(25)	(51)	85
	<u>823</u>	<u>247</u>	<u>863</u>	<u>1,933</u>	<u>1,972</u>
<i>Expenditure</i>					
Prizes	-	(21)	-	(21)	(16)
Transfer to unrestricted reserves to meet expenditure incurred	-	-	(15)	(15)	(29)
Management fees	-	(4)	(4)	(8)	(9)
Transfer between Prize Fund and Unrestricted Reserve	(16)	-	-	(16)	(14)
Balance at 31 July 2020	<u>807</u>	<u>222</u>	<u>844</u>	<u>1,873</u>	<u>1,904</u>
Represented by:					
Capital	807	-	844	1,651	1,698
Accumulated income	-	222	-	222	206
	<u>807</u>	<u>222</u>	<u>844</u>	<u>1,873</u>	<u>1,904</u>
Analysis by asset					
Current and non-current asset investments	807	222	844	1,873	1,904
	<u>807</u>	<u>222</u>	<u>844</u>	<u>1,873</u>	<u>1,904</u>

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

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

Notes to the Financial Statements (continued)

19 ENDOWMENT FUNDS - EXPENDABLE

	2020 Instrument Fund £'000	2019 Total £'000
Balance at 1 August 2019		
Accumulated income	76	95
	<u>76</u>	<u>95</u>
<i>Income</i>		
Funds/capital introduced	-	-
Investment income	-	-
	<u>76</u>	<u>95</u>
<i>Expenditure</i>		
Transfer to deferred capital grant	-	-
Transfer to unrestricted reserves to meet expenditure incurred	(67)	(19)
Balance at 31 July 2020	<u>9</u>	<u>76</u>
Represented by:		
Accumulated income	9	76
	<u>9</u>	<u>76</u>
Analysis by asset:		
Cash and cash equivalents	9	76
	<u>9</u>	<u>76</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

	Other £'000	RCS Infrastructure Trust £'000	The Robertson Trust £'000	2020 Total £'000	2019 Total £'000
Balance at 1 August 2019	125	-	207	332	266
<i>Income</i>					
Funds/capital introduced	-	66	-	66	141
<i>Expenditure</i>					
Release of restricted funds spent in the year	(58)	(66)	(9)	(133)	(75)
Total restricted comprehensive income for the year	<u>(58)</u>	<u>-</u>	<u>(9)</u>	<u>(67)</u>	<u>66</u>
Balance at 31 July 2020	<u>67</u>	<u>-</u>	<u>198</u>	<u>265</u>	<u>332</u>

Other includes The Bruce Millar Memorial Trust providing financial assistance to emerging creative artists, The William Grant Foundation for improving the Student Experience and Skills through Technology and Equipment and Community Outreach and the John Mather Foundation for the purchase of equipment and support of a number of series and productions through 2019-20 and 2020-21.

The donation from the RCS Infrastructure 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

	2020 £	2019 £
<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	7,284	7,284
<u>Allotted and Issued</u>		
300 Ordinary Shares of £1 each	300	300
	<u>7,584</u>	<u>7,584</u>

Notes to the Financial Statements (continued)

22 LEASE OBLIGATIONS

	Student Accommodation £'000	Musical Instruments £'000	2020 Total £'000	2019 Total £'000
Future minimum lease payments due:				
Not later than 1 year	1,147	198	1,345	198
Later than 1 year and not later than 5 years	4,587	396	4,983	5,056
Later than 5 years and not later than 10 years	5,735	-	5,735	1,165
Total lease payments due	<u>11,469</u>	<u>594</u>	<u>12,063</u>	<u>6,419</u>

The RCS entered into an agreement for lease on 19 October 2017 for student accommodation within a development planned at Dunblane Street in Glasgow. The lease is for a period of 20 years commencing on 14 September 2020 with a break option exercisable by RCS after 10 years.

23 PENSION COMMITMENTS

The RCS's employees belong to three principal pension schemes; the Scottish Teachers' Pension Scheme (STPS), 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 RCS also makes pension payments to former employees who have taken early retirement.

The total pension cost for the year was :

	2020 £'000	2019 £'000
Contributions to STPS	1,392	1,033
Contributions to SPF	2,142	1,752
Contributions to UCRSS	<u>2</u>	<u>2</u>
	<u>3,536</u>	<u>2,787</u>
Increase/(decrease) in pension provision	<u>37</u>	<u>(90)</u>
	<u>3,573</u>	<u>2,697</u>

The actual cost of contributions paid by the RCS during the year to the SPF was £1,026,000.

There were no outstanding contributions payable at 31 July 2020.

Scottish Teachers' Pension Scheme

The RCS participates in the Scottish Teachers' Pension 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 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23% of pensionable pay from September 2019 and an anticipated yield of 9.4% employers contributions.

The RCS 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 RCS is unable to identify its share of the underlying assets and liabilities of the scheme.

The RCS's level of participation in the scheme is 0.3% based on the proportion of employer contributions paid in 2018-19.

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 2019 to 31 July 2020 was 19.3% of pay. The employee contribution rate for the period from 1 August 2019 to 31 July 2020 was a variable rate dependent on the level of salary ranging from 5.5% to 11.2%.

Principal actuarial assumptions at the Statement of Financial Position date:

Financial assumptions

	2020	2019
	%	%
Future Pension increases	1.85	2.15
Future Salary increases	1.45	2.35
The Expected return on assets	(2.40)	2.20
Discount rate	1.40	2.20

The RCS expects to contribute £1,026,000 to its defined benefit pension plans in 2020/21.

Mortality assumptions

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

	Male	Female
Current pensioners	20.7 years	22.9 years
Future pensioners	22.2 years	24.6 years

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

	2020	2019
	%	%
Equities	63	65
Bonds	25	24
Property	11	10
Cash	1	1

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	2020 Net (Liability)/ Asset £'000	2019 Net (Liability)/ Asset £'000
Fair value of employer assets	32,421	-	32,421	29,220
Present value of funded liabilities	-	31,707	(31,707)	(25,808)
Opening Position as at 31 July 2019	32,421	31,707	714	3,412
Service Cost				
Current Service Cost	-	2,142	(2,142)	(1,693)
Past service Cost	-	-	-	(61)
Total Service Cost	-	2,142	(2,142)	(1,754)
Net Interest				
Interest income on plan assets	724	-	724	831
Interest Cost on defined benefit obligation	-	720	(720)	(746)
Total Net Interest	724	720	4	85
Total defined benefit cost recognised in income and expenditure	724	2,862	(2,138)	(1,669)
Cashflows				
Plan participants contributions	335	335	-	-
Employer contributions	1,026	-	1,026	984
Benefits paid	(404)	(404)	-	-
Expected closing position	34,102	34,500	(398)	2,727
Re-measurements (actuarial losses)				
Changes in demographic assumptions	-	4,020	(4,020)	1,294
Changes in financial assumptions	-	-	-	(4,744)
Other experience	-	(101)	101	-
Return on assets excluding amounts included in net interest	(1,507)	-	(1,507)	1,437
Total re-measurements recognised in other comprehensive income	(1,507)	3,919	(5,426)	(2,013)
Fair value of plan assets	32,595	-	32,595	32,421
Present value of funded liabilities	-	38,419	(38,419)	(31,707)
Closing position as at 31 July 2020	32,595	38,419	(5,824)	714

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 5%. 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

At the date of signing, the RCS was subject to an ongoing legal claim, the outcomes of which cannot be determined with any certainty. No provision has been made for this on the basis that it cannot be reliably quantified at this stage.

25 RELATED PARTY TRANSACTIONS

Due to the nature of the RCS'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 RCS'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 2020 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	£ -	£ 3,623	£ 23	£ -	£ 23
Ed Monaghan	Mactaggart & Mickel	CEO	£ -	£ 2,400	£ -	£ -	£ -
Dorothy Miell	Scottish Opera	Director	£ -	£ 290	£ 2,538	£ -	£ -
Caroline Roxburgh	Visit Scotland	Non-Exec Board Member	£ -	£ 22,740	£ -	£ -	£ -
Caroline Roxburgh	Edinburgh International Festival Society	Non-Exec Director	£ -	£ 54,060	£ -	£ -	£ -

All members above held their posts for the full year.

26 DISCRETIONARY AND CHILDCARE FUNDS

	Childcare £	Discretionary £	Covid 19 hardship £	Total £
Balance unspent at 1 August 2019	381	-	-	381
Repaid during the year	(381)	-	-	(381)
Allocation received in year	10,909	41,167	6,922	58,998
Expenditure	(1,106)	(32,785)	(6,289)	(40,180)
Virements	-	-	-	-
Balance unspent at 31 July 2020	<u>9,803</u>	<u>8,382</u>	<u>633</u>	<u>18,818</u>
Repayable as claw back	-	-	-	-

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

27 EVENTS AFTER THE END OF REPORTING PERIOD

The Governors are aware of ongoing uncertainties in relation to COVID-19, however they have developed and implemented mitigating actions and processes to ensure that the RCS continues to function and manage future operations and those of their stakeholders, as outlined more fully in the Report of the Governors. As such, the Governors are confident that the RCS will continue as a going concern, and will continue to meet liabilities as they fall due.

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, Dance and Film
- 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

- Minimum of 3 Lay Governors who are not members of the Finance & General Purposes Committee (one of whom is elected Convenor)
- 1 Lay Governor who may be a member of the Finance & General Purposes Committee, but not Convenor

Finance & General Purposes

- Chair of the Board of Governors
- Principal
- 5 Lay 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 Lay Governors appointed by the Board of Governors
- 1 External member as approved by the Nominations Committee

Development and Fundraising

- Principal
- Chair of the Board of Governors
- Director of External Relations
- Director of Business Development
- Head of Fundraising
- Up to 4 Lay Governors appointed by the Board of Governors (one of whom is elected Convenor)

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 Lay 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 Lay 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 Human Resources
- 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 (EIS)
- External expertise as required and appropriate

Fair Access

- A Lay 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/Short Courses representatives

GOVERNOR ATTENDANCE AT COMMITTEE MEETINGS THROUGHOUT THE YEAR

	Board of Governors	Finance & General Purposes	Audit	Buildings	Health, Safety & Wellbeing	Remuneration	Fair Access	Nominations	Academic Board	Development & Fundraising
Nick Kuenssberg	5/5	5/6		3/4		1/1		5/5		5/5
Jeffrey Sharkey	5/5	6/6		3/4	2/4	1/1*		5/5	5/7	4/5
Lois Fitch	5/5								6/7	
John Hylands	4/5	6/6	3/3					5/5		
Andrew Butcher	5/5		3/3							4/5
Morag Campbell	5/5				2/3		2/2			
Stuart Cross	4/5	4/4								
Tari Lang	5/5							2/5		4/5
Susan Lee Kidd	4/5						3/3	3/4		
Mark Leishman	2/5	2/2								
Donald MacRae	5/5	6/6	3/3	3/4		1/1				
Carol Main	4/5				2/4					
Sharon Mair	5/5	1/3		0/3	3/3					
Jonathan Mills	1/5									
Ed Monaghan	4/5			3/4						
Jasmine Munns	5/5				3/4			5/5	5/6	
Dorothy Miell	4/5						2/2		5/7**	
Agnes Robson	4/5		3/3			1/1		5/5		
Philip Rodney	5/5	4/4		2/2						5/5
Caroline Roxburgh	5/5	6/6	3/3							
Jean Sangster	5/5									
Maria Taylor	4/5	6/6				1/1				
Aidan Tepitzky	5/5									
Colleen Toomey	4/5						1/2			4/5

* The Principal is in attendance only and is not a member

** Dorothy Miell is in attendance only and is not a member

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