

Royal Conservatoire of Scotland
A Company Limited by Guarantee

Report of the Governors
and
Financial Statements
For the Year Ended 31 July 2012

Company Registration No.SC04703

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OFFICE BEARERS

Patron His Royal Highness The Prince Charles, Duke of Rothesay

President Sir Cameron Mackintosh FRSAMD

Vice President The Right Honourable Lord Gill FRSAMD

Chairman of Governors Lord Vallance of Tummel

Principal Professor John Wallace CBE FRSAMD

Secretary Alan Smith

Registered Office 100 Renfrew Street
Glasgow
G2 3DB

REPORT OF THE GOVERNORS

The Governors present their report together with the accounts for the year ended 31 July 2012.

Constitution

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

The terms of the constitution, membership, powers and proceedings of the Board of Governors are set down in the Memorandum and Articles of Association as varied by, and in conformity with the provisions of, The Royal Scottish Academy of Music and Drama (Scotland) Order of Council 1995. The Conservatoire is in the process of submitting amendments to these provisions to reflect the change of name and several changes to the membership due to changes to the management structure.

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

Principal activity

The principal activity of the Conservatoire is the provision of teaching, learning and research in the performing arts ranging from pre-higher education through to post doctoral study.

The vision of the Conservatoire is to create the future for performance.

The Conservatoire's mission is to:

Be the place where developing artists from across the world converge to become the artistic leaders of tomorrow;
Create, in Scotland, a crucible for artistic innovation and creativity in performance and production;
Become integral to evolving national strategies and initiatives for widening access to life-long learning in and through the performing arts.

The Conservatoire has this year developed a new strategic plan 'Creating the Future for Performance'. There are 6 strategic aims underpinning this strategy:

- 1. Provide each student with a unique, individualised and transformative learning experience, which will enable them to make a contribution in the world as artists, educators, advocates and citizens.*
- 2. Achieve excellence in learning, teaching, performance and research.*
- 3. Develop national and international partnerships which will enrich our artistic and academic activities, improve our operational effectiveness and enhance our national and international reputation.*
- 4. Become integral to evolving national strategies and initiatives for widening access to life-long learning in and through the performing arts.*
- 5. Embed equality and diversity and enhance the sustainability of every aspect of our operation.*
- 6. Through all of the above, to enhance our position and profile as a world-class artistic learning, teaching and research community.*

Operating and Financial Review**Overview**

The past year has involved completing the foundations for the next stage of the Conservatoire's development and delivery of 'Creating the Future of Performance'. The change of name on 1 September 2011 provided both a challenge and an opportunity to embed and promote it, to raise the profile of the institution nationally and internationally and to articulate the vision of the type of learning environment and opportunities the Conservatoire aims to offer future students. The new name has been warmly received by stakeholders.

The most significant institutional milestone this year has been the culmination of three years of work in the development and successful validation of the new undergraduate curriculum across all programmes. This included changing the shape of the academic year, assessment processes and support infrastructure and developing the organisation to make more effective use of our human and physical resources over the course of the whole year.

Results for the year

The surplus for the year is £313,000 (2011: a surplus of £358,000). At the year end there was no long term debt on the Conservatoire's Balance Sheet and bank and cash at 31 July 2012 amounted to £1,262,000 (2011: £1,959,000).

Outlook for 2012-13 and beyond

The funding award received from the Scottish Funding Council for 2012-13 and the indicative settlement for the following two years are better than expected given the general economic climate, although it is essential the Conservatoire continues to plan for operating surpluses at a level sufficient to sustain and grow the operation, particularly given the significant reduction in capital grant funding over the coming years. Competition amongst UK conservatoires to recruit the most promising students continues to be fiercely competitive and it is important to capitalise on the forward momentum of the name change and to set out effectively our distinctive offering to prospective students. In its financial planning the Conservatoire will continue to set prudent recruitment targets for overseas students and expectations of income generation from other sources such as sponsorship and donations. A focus will be put on increasing income across the spectrum of core business and on direct financial support for students through a more extensive scholarship and bursary programme.

The Conservatoire welcomes the Scottish Government's initiative through Creative Scotland to develop a National Youth Arts Strategy and hopes to play a part in realising it.

As the Conservatoire expands in scale and complexity we recognise the challenges this poses to a specialist institution with a small management team and the need to improve management information systems to support the planning, delivery and monitoring of the new curriculum, KPI gathering and space planning. These areas form an important part of the new strategic plan.

Student application rates have been closely monitored with the introduction of the new tuition fee regime for Rest of United Kingdom students from 2012-13 and the generally challenging economic conditions. A bursary scheme has been introduced specifically for this new category of student and applications for the forthcoming year remain healthy.

In common with the other higher education institutions in Scotland the Conservatoire has been in negotiation with the Scottish Funding Council and an Outcome Agreement for 2012-13 has been put in place.

Summary of investment performance

The Conservatoire's investments are managed on a discretionary basis by a professional fund manager on behalf of the Board and monitored by the Finance Committee. The total return for the year across the managed portfolio was +3.98% compared with a benchmark of +3.67%. The Board considers this performance to be satisfactory.

National and International Profile and Status

We celebrated our first anniversary as the Royal Conservatoire of Scotland by launching our new undergraduate curriculum in September 2012, after four careful years of review and reform. This is the most significant event in our 165-year history since 1994, when we gained degree-awarding powers from the Privy Council: the reform has been comprehensive, taking advantage of our singular status in the UK as a Conservatoire of Dance, Drama and Music. As our new name has heightened our profile internationally; our new curriculum will elevate us to a leading position as a fully integrated conservatoire relevant to the needs of contemporary society.

The curriculum is our core business which we deliver to students. The teams of staff who deliver the degree programmes took four years to construct the new curriculum. Although it is brand new, it is suffused by the best DNA of the old. The new curriculum boasts a common Academic Framework, with a common assessment scale for ten specialist undergraduate degrees across the disciplines of Music, Drama, Dance, Production and Screen, with the elements of choice and reflection brought to the fore. This balanced environment of elite specialism within interdisciplinary opportunity gives us a special status and a unique selling point internationally. The student population is excited by the choice and the interdisciplinary opportunities which are opening up to them over their student careers. Our intention during their time with us is to help them fulfil their potential to become the artistic leaders of the future.

Notable among the many achievements of present and past students was the knighthood bestowed upon David McVicar, actor turned opera director. David is prolific and active world-wide. Amongst his productions in the past year he has directed *The Trojans* at Covent Garden, and *Rake's Progress* at Scottish Opera. The career of Patrick Doyle, another of our former acting students, who, in his case, evolved into a composer, has also gone from strength to strength, with seeming ubiquity in his film credits, the latest being the Pixar blockbuster, *Brave*. Karen Cargill's career as a mezzo soprano continued to prosper with major roles at the Metropolitan Opera House, New York, performing in *Götterdämmerung* and *The Trojans*.

It is our intention that our new curriculum will continue to produce the multi-talented artists like these that the international cultural marketplace of the twenty-first century increasingly demands.

Curricular Activity and Quality Enhancement

The year 2011-12 saw the final milestone in our curriculum reform project, the review of all 10 undergraduate programmes in February 2012; reviewing all programmes together was a significant departure from the usual, phased, single-programme review process and marked the special circumstances of this moment in the Conservatoire's history. Another landmark was the review of the BEd(Music) which not only involved colleagues from the University of Glasgow as joint providers, but also representatives from the GTC(General Teaching Council). During the final phase of the new curriculum project the former BA in Technical and Production Arts was split into two separate emphases: BA Production Technology and Management and BA Production Arts and Design, thus bringing the total number of undergraduate programmes offered at the Conservatoire to 10.

The 10 programme reviews were set up according to usual practice with panels of external members including industry professionals, representatives from similar institutions and courses, students and graduates. In addition, and here departing from usual practice, two highly experienced external academics convened the whole process. The benefit of this approach was that the two Convenors were able to take a view across the totality of the undergraduate offering and ensure that the aspirations of the new curriculum were being met across the board.

The outcome of the reviews was extremely positive; every programme received commendations and very few conditions and recommendations were stipulated. Given the holistic nature of the exercise, the Convenors were able to make some Conservatoire-wide conditions and recommendations. The vast majority of conditions and recommendations have been met, with one remaining condition (on academic alignment) is being finalised by the Deans and the Registrar.

In other areas of activity, the final year of the undergraduate Modern Ballet and Musical Theatre programmes commenced and there are already some very impressive employment statistics for graduating students of these two new programmes. For postgraduate programmes and research it was 'business as usual' and we look forward to a similar reform exercise for all of these programmes in 2013-14. Short Courses and summer programmes continue to expand as planned, and an extensive market research exercise carried out in May-June 2012 is informing their development. Finally, the Conservatoire conducted another internal pilot of the National Student Survey, the results of which are being addressed by Deans and colleagues.

Research and Enterprise

This year the Conservatoire was once again able to support its research via a specially designed in-house 'mini sabbatical' scheme known as the Athenaeum Award. Two awards were made this year which funded work to investigate the role of the voice in different performance contexts and how vocal technique is used as the unifying practice with an interdisciplinary group of artists and research into the Gaelic Hebridean piping tradition. This year also saw the publication of scholarly research from the Principal and Dr Sandy McGrattan (a major study of the trumpet) and the Head of Research and Postgraduate Programmes, Dr Stephen Broad (on Messiaen's journalism). Work is currently underway on a 'rebranding' of research and knowledge exchange at the Royal Conservatoire, which will be known as 'The Exchange' reflecting how we work in collaboration with wider audiences, the professions, artists, policy partners and external bodies. All of these research outputs are likely to contribute to our forthcoming REF 2014 submission, which is under preparation.

Our Knowledge Exchange activity included several Innovation Voucher awards in the broad area of equality and diversity, including work with partners on drama and autism, inclusive instrument design, pathways to the profession for disabled dancers and our continuing work in arts in prisons.

Estates and Infrastructure

The improvement works on the Renfrew Street campus which started last year have been completed. These included the refurbishments of the Stevenson Hall and the Guinness Room, the enlargement of the orchestra pit and installation of air conditioning in the New Athenaeum Theatre, completion of student IT and social facilities in the Alexander Gibson Opera School, creation of office space to house the administrative function of the expanding short course activities and an upgrade to the central reception desk and facilities. A major project to improve security throughout the campus through the introduction of an electronic access system was also completed during the year.

Plans to develop a second phase of the facilities at Speirs Locks were approved and a Design Team appointed. The accommodation will provide 8 flexible-use medium to large-size rehearsal spaces which are necessary to house existing overspill and the wider range of collaborative activities which will occur through the introduction of the new curriculum and the expansion of activities in the summer trimester. The commencement of the project is subject to the conclusion of negotiations with one remaining sitting tenant with a target date for completion of the build in September 2013.

A review of the usage of the Renfrew Street accommodation will be undertaken to inform possible future developments to the front of the existing building to improve both the public profile and accessibility of the building, enhance further the amenity for students, staff and the general public and make a significant contribution towards the City's aspirations to enhance this part of Glasgow.

Human Resources

During this academic year we have been working with staff to ensure that our new curriculum ready is for delivery to the students. We now have a set of core values, which we have embedded into our recruitment procedures for new staff and into our policies and performance outcomes for existing staff. We continue to work with managers on a range of staffing, efficiency and change management issues, with a renewed emphasis on health and well-being. Staff development has taken place to support the academic and support staff to implement the new curriculum and our Staff Development Conference is now well established at the start of the academic year.

Equality, Diversity and Widening Participation

In January 2012, the Conservatoire was a partner with the Scottish Dance Theatre and Dundee Repertory Theatre in running a highly successful two day Symposium addressing routes into the performing arts for disabled people, from discovering talent through to training and professional employment. As a result the Conservatoire plans to become a centre for excellence in the training of deaf performers. The Conservatoire's Equality and Diversity Forum also sponsored and supported the ENCANT multi-disciplinary arts festival in March 2012.

The breadth of provision at pre-HE level continues to expand and attracts students of all ages. The programmes are increasingly being shaped to create pathways which will encourage participants to consider applying to study at HE level. The Conservatoire continues to recruit students from schools which are part of the access initiative involving higher education students in the West of Scotland (FOCUS West). Of the first year intake of students in 2011 1.3% came from FOCUS West schools (2010: 1.5%).

Access and employment of disabled persons

The Conservatoire's building and facilities are predominantly accessible within the terms of the Disability Discrimination Act and each refurbishment or new development improves the overall level of accessibility.

Applications from disabled persons for employment are always fully considered, the most suitable applicant for a post being selected whether or not that person is disabled. In the event of existing employees becoming disabled every effort is made to ensure that their employment within the Conservatoire continues and appropriate adjustments to the workplace and/or work patterns are made along with the provision of relevant training. It is the policy of the Conservatoire that the training, career development and promotion of disabled persons should, as far as possible, provide equal opportunity to those available to other employees.

Going Concern

As noted in the Operating and Financial Review the Conservatoire has produced an operating surplus for the current year and is forecasting a surplus in the forthcoming year. There are currently no borrowings and the liquidity and cash generation position are also outlined in this review and in the cash flow statement. The Governors believe that the Conservatoire is well placed to manage its business risks successfully despite the current uncertain economic outlook and have a reasonable expectation that the Conservatoire will continue to receive adequate support from the SFC and accordingly will have sufficient resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Staff and student involvement

Staff and students are involved at all levels of the formal committee structure of the Conservatoire including the Board of Governors and the Academic Board.

Payment of creditors

It is the Conservatoire's policy to obtain the best terms for all goods and services. There is thus no single policy as to the terms used. In agreements negotiated with suppliers, the Conservatoire endeavours to include and abide by specific payment terms. The creditors' balance at 31 July 2012 represented 7% of total purchases for the year, equivalent to 25 creditor days. No interest was paid in terms of the Late Payments of Commercial Debts (interest) Act 1998.

Monitoring of Performance

A range of performance indicators is produced annually to assist the Board of Governors to monitor performance across the range of the Conservatoire's activities. These include:

	2011-12 %	2010-11 %
Student progression/graduation rate (UG/PG all years)	96.5	95.8
2010/11 music undergraduates in employment or further study (based on respondents)	92.1	95.5
2010/11 drama undergraduates in employment or further study (based on respondents)	86.1	87.5

Any underperformance or negative trend in the key performance indicators is considered by the appropriate Conservatoire committee.

The Board of Governors has this year reviewed a set of key performance indicators which will be used to monitor performance and report progress towards the achievement of strategic objectives.

Student enrolments and applications

Enrolments		2011-12	2010-11
School of Music	Full-time students (including BEd)	516	455
	Part-time students	-	20
	Research students	13	11
	Youthworks students	970	891
School of Drama	Full-time students	365	312
	Research students	2	1
	Youthworks and Short Course students	1,360	942
		<u>3,226</u>	<u>2,632</u>
Applications for full-time courses		3,013	3,011
Overall ratio of applicants to places		8.6:1	8:1

Honorary doctorates of the Royal Conservatoire of Scotland

The following received honorary doctorates during the academic session 2011-12

Doctor of the Conservatoire

Richard Holloway

Doctor of Dance

Ashley Page

Doctor of Music

Nicola Benedetti

Barbara Dickson

Doctor of Drama

David Hayman

Governors

The Governors set out in the table below have held office during the whole of the period from 1 August 2011 to the date of this report unless otherwise stated:-

External Core Governors

Lord Vallance of Tummel (Chairman)
Sir Sandy Crombie (Vice Chairman)
Vicky Featherstone
Thomas Gilchrist
Joyce Goodwin
Steve Inch OBE (from 27 January 2012)
Paul Jourdan
Professor Niall Lothian (resigned 28 October 2011)
Bridget McConnell (Vice Chairman)
Eileen Mackay
James Miller
Philip Oppenheim
Chris Parr
Gavin Reid (from 24 April 2012)

Core Governors ex officio

The Principal, Professor John Wallace CBE FRSAMD
The President, Students' Union, Rachael Brimley (to 30 June 2012)
Luke Harris (from 1 July 2012)

Staff Governors-elected

Matthew Chinn (Academic Support Staff) (from 28 October 2011)
Rose-Anne Healy (Academic Support Staff) (to 27 October 2011)
Professor Maggie Kinloch (Academic Board)
Gordon Munro (Academic Staff) (to 28 October 2011)
Mark Saunders (Academic Staff) (from 27 January 2012)

Co-opted Governors

Norman Gillies
John Hylands (from 28 October 2011)
Sir Brian McMaster
Donald MacRae OBE (from 6 July 2012)
Donald Runnicles OBE
Norman Sharp OBE

Directors' and Officers' liability insurance

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

Governors' interests

The Chairman holds 205 shares ex-officio. The Memorandum and Articles prohibit payment of any dividend on the shares, prohibit any distribution to the shareholders in the event of a liquidation and require the Chairman to vote in accordance with the wishes of the Governors on certain matters. The Conservatoire maintains a register of governors' interests and a register of gifts to governors and staff.

Fixed assets

The fixed asset movements for the year are detailed in Note 10 to the Accounts.

Auditors

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

APPROVED BY THE GOVERNORS ON 26 OCTOBER 2012
AND SIGNED ON THEIR BEHALF BY

Lord Vallance of Tummel
Chairman



CORPORATE GOVERNANCE STATEMENT

The Royal Conservatoire of Scotland is committed to following best practice in all aspects of corporate governance. This statement summarises the manner in which the Conservatoire has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in 2010. The Conservatoire is fully compliant with the code as far as it applies to Higher Educational Institutions with the exception of section A1.2 regarding the disclosure of individual attendance by Governors at Board and committee meetings. In serving this academic institution individual Board members give of their time voluntarily and contribute greatly to the furtherance of the work of the Conservatoire in a variety of ways that are not necessarily reflected through attendance at meetings. The Board is therefore of the view that it is inappropriate to disclose this information.

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

The Conservatoire is supportive of the principles embodied in the Guide for Members of Higher Education Governing Bodies in the UK issued by the Committee of University Chairmen in November 2004.

Details of the Governors are set out on page 9.

The Board consists of

1. lay members with proven experience in industrial, commercial or employment matters or the practice of any profession
2. Governors ex officis – the Principal, the Director of one of the schools and the President of the Students' Union
3. a Governor appointed by the Academic Board, a Governor elected by academic staff and a Governor elected by academic support staff
4. Governors who have experience of local government, education and other relevant sectors who may be co-opted.

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

The business of the Conservatoire is overseen by the Board of Governors who may exercise all the powers of the company. The statement of Governors' responsibilities for preparing the accounts is set out on pages 14 and 15.

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

In respect of its strategic and development responsibilities the Governing Body receives recommendations and advice from the Strategy Committee and holds an annual off-site meeting to discuss the key issues.

The Board meets four times per year and has several committees, membership of which is listed on page 43. All of these committees are formally constituted with terms of reference. Four of these committees are particularly important in ensuring that the Academy follows the Code of Best Practice.

The **Finance Committee** inter alia recommends to the Governing Body the Conservatoire's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The membership comprises the Chairman of the Board of Governors, Principal and five lay Governors.

The **Remuneration Committee** is responsible for reviewing and advising on the remuneration levels and terms and conditions of employment of Senior Management. The membership comprises the Chairman of the Board of Governors, one of the Vice-Chairmen and two lay Governors experienced in employment matters.

The **Nominations Committee** receives and considers proposals from any source and makes recommendations to the Board of Governors. The current membership consists of the Chairman, Principal and three lay Governors.

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

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

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

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

Risk Control

During the year the Conservatoire continued to refine the 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. The risk register is regularly reviewed by the Risk Management Group and by the Audit Committee. The Conservatoire Senior Management Team also reviews the risk register on a regular basis to ensure that there is appropriate linkage with the strategic planning process.

The internal audit function reviewed risk management processes during the past year which included facilitating a follow-up risk workshop for senior staff to review and define key corporate risks. One of the objectives was to create a simpler and more dynamic risk register and management process. Development work is on-going in this area.

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

In summary, a suitable process for identifying, evaluating and managing the significant risks faced by the Conservatoire has been in place for the year under review and up to the date of approval of these financial statements. The process is regularly reviewed and accords with the guidance in the Accounts Direction for Scottish Higher Education Institutions for 2011-12.

The on-going review of risk and associated controls was compliant with the terms of the Turnbull Report.

Membership of the Risk Management Group includes members of the Conservatoire Senior Management Team. In October each year the Board of Governors receives an Annual Report, forwarded through the Audit Committee, which details changes in the control environment.

RESPONSIBILITIES OF THE GOVERNORS

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

The Governors are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Conservatoire and which enable them to ensure that the accounts are prepared in accordance with the Companies Acts, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards.

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

- * suitable accounting policies are selected and applied consistently
- * judgements 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 accounts
- * accounts are prepared on a going concern basis unless it is inappropriate to presume that the Conservatoire will continue in operation. The Governors are satisfied that the Conservatoire has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the accounts.

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 Funding Council and any other conditions which the Funding Council may from time to time prescribe
- * ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- * safeguard the assets of the Conservatoire and hence to take reasonable steps to prevent and detect fraud and other irregularities
- * secure the economical, efficient and effective management of the Conservatoire's resources and expenditure and
- * ensure sound corporate governance and the proper conduct of the Conservatoire's operations

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

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

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

Statement as to disclosure of information to auditors

The Governors have taken all the necessary steps to make themselves aware, as Governors, of any relevant audit information and to establish that the auditors are aware of that information.

As far as the Governors are aware, there is no relevant audit information of which the company's auditors are unaware.

Lord Vallance of Tummel
Chairman
26 October 2012



Report of the Independent auditors to the Board of Governors of the Royal Conservatoire of Scotland

We have audited the financial statements of the Royal Conservatoire of Scotland for the year ended 31 July 2012 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board of Governors, in accordance with the Charities and Trustee Investment (Scotland) Act 2005, The Charities Accounts (Scotland) Regulations 2006 (as amended) and Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it 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 Board of Governors, for my audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and auditors

The Governors' (who are also directors for the purposes of company law) responsibilities for preparing the Report by Governors and the financial statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Responsibilities of the Governors on pages 14 and 15.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Accounting Practice: Accounting for Further and Higher Education, and have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, The Charities Accounts (Scotland) Regulations 2006 (as amended) and the Companies Act 2006.

We also report to you whether income from the Scottish Funding Council, other grants and income for specific purposes and from other restricted funds administered by the Conservatoire have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the Financial Memorandum with the Scottish Funding Council.

We also report to you whether the information in the Report of the Governors is consistent with the financial statements.

In addition, we report to you if in our opinion the Conservatoire has not kept adequate accounting records, if the Conservatoire's financial statements are not in agreement with the accounting records and returns, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the financial statements and consider whether it is consistent with the audited financial statements. This information comprises only the Report of the Governors and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the Conservatoire's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to other information.

Basis of Opinion

We conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Conservatoire's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Conservatoire's affairs as at 31 July 2012 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 the Companies Act 2006, the Accounts Direction issued by the Scottish Funding Council and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education
- have been properly prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters

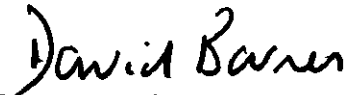
In all material respects:

- income from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the Conservatoire during the year ended 31 July 2012 have been applied for the purposes for which they were received
- income during the year ended 31 July 2012 has been applied in accordance with the Conservatoire's statutes and, where appropriate, with the financial memorandum with the Scottish Funding Council.

Matters on which we are required to report by exception

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

- the information given in the Report of the Governors is inconsistent in any material respect with the financial statements
- proper accounting records have not been kept
- the financial statements are not in agreement with the accounting records and returns
- we have not received all the information and explanations we require for our audit



David Barnes, Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
95 Bothwell Street, Glasgow, G2 7JZ
GLASGOW
16 November 2012

Income and Expenditure Account for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
INCOME			
Funding body grants	2	9,476	9,698
Tuition fees and education contracts	3	4,812	3,988
Research grants and contracts	4	46	-
Other income	5	1,966	1,766
Endowment and investment income	6	243	196
Total Income		<u>16,543</u>	<u>15,648</u>
EXPENDITURE			
Staff costs	7	10,613	10,170
Other operating expenses	9	4,590	4,149
Depreciation	10	1,027	949
Total Expenditure		<u>16,230</u>	<u>15,268</u>
Surplus on continuing operations		313	380
Transfer to accumulated income in endowment funds	17	-	(22)
Surplus for the year retained within general reserves		<u>313</u>	<u>358</u>

The income and expenditure account is in respect of continuing activities.

Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
Surplus on continuing operations		313	380
Transfer to endowment funds		-	(22)
Surplus for the year retained within general reserves	20	313	358
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	9	8
Historical cost surplus for the year		<u>322</u>	<u>366</u>

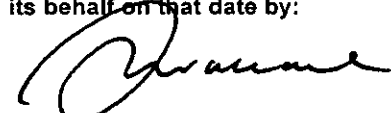
Statement of Total Recognised Gains and Losses for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
Surplus on continuing operations		313	380
Transfer to Endowment Funds	17	-	(22)
Surplus for the year credited to revenue reserves	20	<u>313</u>	<u>358</u>
Pension Reserve	27	(2,294)	362
Increase in valuation of investments	19	7	177
		<u>(1,974)</u>	<u>897</u>
Increase/(decrease) in endowment and restricted funds	17	(131)	4,211
Total recognised gains/ (losses) relating to the year		<u>(2,105)</u>	<u>5,108</u>
Reconciliation			
Opening reserves and endowments		12,193	7,085
Total recognised gains/ (losses) relating to the year		(2,105)	5,108
Closing reserves and endowments		<u>10,088</u>	<u>12,193</u>

Balance Sheet as at 31 July 2012
(Company Registration No.4703)

	Note	2012 £'000	2011 £'000
Tangible assets	10	31,401	31,581
Investments	11	1,551	1,595
Total Fixed Assets		<u>32,952</u>	<u>33,176</u>
Pension (Liability)/Asset	27	(1,722)	429
Endowment assets	12	7,397	7,528
Debtors	13	1,108	717
Cash at bank and in hand		1,262	1,959
Total current assets		<u>2,370</u>	<u>2,676</u>
Less: Creditors - amounts falling due within one year	14	<u>(1,243)</u>	<u>(1,604)</u>
Net current assets		<u>1,127</u>	<u>1,072</u>
Total assets less current liabilities		39,754	42,205
Less: Provisions for liabilities and charges	15	<u>(622)</u>	<u>(646)</u>
Net Assets		<u>39,132</u>	<u>41,559</u>
Deferred capital grants	16	29,037	29,359
Endowment funds	17		
Permanent		1,430	1,415
Expendable		5,967	6,113
		<u>7,397</u>	<u>7,528</u>
Share capital	18	7	7
Revaluation reserve	19	1,037	1,024
Capital reserve	20	505	505
Revenue reserves	20	2,871	2,707
Reserves excluding pension reserve		<u>4,413</u>	<u>4,236</u>
Pension reserve	20	(1,722)	429
Total Reserves		<u>2,691</u>	<u>4,665</u>
Total		<u>39,132</u>	<u>41,559</u>

The accounts on pages 18 to 42 were approved by the Board of Governors on 26 October 2012 and were signed on its behalf on that date by:



Professor John Wallace
Designated officer



A Smith
Director of Finance



Lord Vallance of Tummel
Chairman

Cash Flow Statement for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
Net cash inflow/(outflow) from operating activities	23	(942)	795
Returns on investments and servicing of finance	24	206	167
Capital expenditure and financial investment	25	(115)	3,393
Increase/(decrease) in cash in the year	26	(851)	4,355

Reconciliation of net cash flow to movement in net funds

	Note	2012 £'000	2011 £'000
Increase/(decrease) in cash in the year and movement in net funds	26	(851)	4,355
Net funds at 1 August	26	<u>8,429</u>	<u>4,074</u>
Net funds at 31 July	26	<u>7,578</u>	<u>8,429</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 Accounting

The accounts have been prepared under the historical cost convention, modified to include investments at market value and the revaluation of certain musical instruments, and in accordance with the requirements of the Companies Act 2006, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and applicable accounting standards.

b Tangible Fixed Assets

1. Land and Buildings

The Conservatoire's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings are stated in the balance sheet at cost. The main Conservatoire freehold buildings are depreciated over their expected useful economic life to the institution of 100 years. Speirs Locks Studios which is built on leasehold land is depreciated over 30 years.

Where land and buildings are acquired with the aid of specific grants or donations they are capitalised and depreciated as above. The related grants or donations are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Work-in-progress refers to buildings and equipment costs associated with phase 2 of the Speirs Locks Studios development which will be transferred to land and buildings and equipment as appropriate on completion of the project.

2. Equipment

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

TV/Electronic Music Studio	20% per annum
Furniture, Fittings, Fixtures and Equipment	20% per annum

3. Musical Instruments

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

Stringed instruments with a value of £2,000 and above have been incorporated at market value as at July 2009 as assessed by Mr Michael Byrd, an external professional valuation expert. There has been no diminution in the overall value of these instruments since the 2009 valuation.

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. A revaluation of stringed instruments will be carried out every five years.

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

Stringed instruments	1% per annum
Other musical instruments	10% per annum

Notes to the Financial Statements (continued)

1 Statement of Principal Accounting Policies (continued)

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

c Investments

Listed investments held as fixed assets are shown in the balance sheet at market value. Revaluation surpluses on general investments are carried to general reserves. Revaluation deficits are offset against any previous revaluation surpluses carried forward with any residual deficit being charged to the income and expenditure account. Revaluation surpluses or deficits on endowment asset investments are carried to endowments.

d Liquid Resources

Liquid resources represent sums on short-term deposits with recognised banks.

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

Grants for recurrent expenditure are credited to the income and expenditure account in the year in which they are received. Recurrent grants relating to specific projects are credited to the income and expenditure account in the year in which expenditure is incurred.

Capital grants, special initiative grants and other receipts relating to capital expenditure are credited to deferred capital grants and receipts. An amount is transferred to the income and expenditure account over the estimated useful life of the relevant fixed assets. Receipts relating to expenditure not yet incurred are held as deferred income.

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.

General donations which are unrestricted are credited to the income and expenditure account in the year in which they are received. Donations received for a restricted revenue purpose are credited to expendable endowments and released to the income and expenditure account in the year in which the expenditure is incurred or over the number of years specified by the donor. The Conservatoire's Capital Campaign Fund is classified as an expendable endowment which will be transferred to deferred capital grants to match expenditure upon the commencement of the building project. Capital donations received for a restricted purpose are credited to permanent endowments. The investment income from these endowments is credited to the income and expenditure account in the year in which it is earned with any excess over endowment expenditure carried forward as accumulated income within the endowment fund.

g Maintenance of Premises

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

Notes to the Financial Statements (continued)

1 Statement of Principal Accounting Policies (continued)

h Pension Costs

The Conservatoire participates in two pension schemes providing benefits based on final pensionable pay, the Scottish Teachers Superannuation Scheme and the Strathclyde Pension Fund. Both schemes are available to staff of more than one employer, are contracted out of the State Earnings-Related Pension Scheme, and the assets of the schemes are held separately from those of the Conservatoire. The Funds are valued by actuaries, the rates of contributions being determined by the trustees on the advice of the actuaries. The schemes are accounted for under Financial Reporting Standard 17 - Retirement Benefits(FRS17).

Strathclyde Pension Fund

The scheme is a defined benefit scheme.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as at the financial year end. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is taken to the income and expenditure account. The actuarial gains and losses are shown in the statement of total recognised gains and losses.

Scottish Teachers' Superannuation Scheme

The Conservatoire also participates in the Scottish Teachers' Superannuation Scheme. The scheme is available to staff of more than one employer and it is not possible to identify each participating institution's share of the underlying assets and liabilities on a consistent and reasonable basis. Accordingly, the Conservatoire has utilised the provisions of FRS 17 whereby the contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the Conservatoire's income and expenditure account is equal to the contribution payable to the scheme for the relevant accounting period.

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

Notes to the Financial Statements (continued)

- 1 Statement of Principal Accounting Policies (continued)
 - i Taxation Status

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

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

Notes to the Financial Statements (continued)

2 FUNDING BODY GRANTS

	Note	2012 £'000	2011 £'000
SFC:			
Recurrent grant for teaching		6,616	6,790
Recurrent grant for Junior Conservatoire		309	319
Specific initiative grants:			
Wider Access retention		35	35
Disabled student premium		50	52
Horizon Fund		-	94
Research development foundation		165	166
Research postgraduate grant		70	100
Knowledge Exchange Innovations		-	2
Stage & Screen Network		1,439	1,483
Part-Time Incentive		4	4
Capital Investment Funding		-	33
SSI Grant		-	5
Employability		30	30
Technical Theatre Skills Network		-	15
Deferred capital grants released in year:			
Buildings	16	374	252
Equipment	16	384	318
		<u>9,476</u>	<u>9,698</u>

3 TUITION FEES AND EDUCATION CONTRACTS

Scotland and European Union(EU) students	380	384
RUK students(old fee rates)	328	204
Non -EU students	1,605	1,233
UK further education students *	1,310	1,052
	<u>3,623</u>	<u>2,873</u>
Total fees paid by or on behalf of individual students		
Higher Education contracts	1,168	1,080
Other contracts	21	35
	<u>4,812</u>	<u>3,988</u>
Total		

* relates to Youthworks programme

Notes to the Financial Statements (continued)

4 RESEARCH GRANTS AND CONTRACTS

	2012	2011
Note	£'000	£'000
Miscellaneous research grants and contracts	<u>46</u>	<u>-</u>

5 OTHER INCOME

Income from front of house		250	235
Sundry income		145	119
Esmee Fairbairn project		15	47
Scottish Institute for Enterprise grant		-	5
European Funded Projects		23	15
RCS Works		24	27
Sponsorship and donations		459	498
Ambition project		35	8
JISC Transformations Programme		4	-
ESRC case Studentship		19	-
Rostov Project (EU funded)		-	5
Rent received		63	36
Student residences		601	485
Release of Opera School appeal donations	16	54	54
Release of Deferred Capital Grants (non SFC):			
Buildings	16	166	137
Equipment	16	56	38
Focus West project grant		52	57
		<u>1,966</u>	<u>1,766</u>

6 INVESTMENT AND ENDOWMENT INCOME

Investment income		54	56
Bank interest		11	14
Pension Fund net interest		141	97
		<u>206</u>	<u>167</u>
Endowment Income		37	29
		<u>243</u>	<u>196</u>

Notes to the Financial Statements (continued)

7 STAFF COSTS

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

	2012 Number	2011 Number
Senior Management	5	5
Teaching staff	149	143
Teaching support	20	17
Research grants and contracts	2	2
Other support services	15	15
Administration and central services	50	50
Premises	32	31
Other income generating activities	2	2
	<u>275</u>	<u>265</u>

Staff costs for the above persons:

	Note	2012 £'000	2011 £'000
Wages and salaries		8,930	8,534
Social security costs		655	626
Other pension costs	27	915	912
Other staff costs		113	98
		<u>10,613</u>	<u>10,170</u>
Senior Management		491	488
Teaching staff		6,453	6,154
Teaching support		527	482
Research grants and contracts		100	88
Other support services		616	635
Administration and central services		1,765	1,659
Premises		642	640
Other income generating activities		19	24
		<u>10,613</u>	<u>10,170</u>
Governors' salaries(included therein)			
Salaries(staff members)		296	296
Pension contributions		43	43
		<u>339</u>	<u>339</u>

The number of Governors accruing benefits under pension schemes during the year was 6 (2011:4)

Notes to the Financial Statements (continued)

7 STAFF COSTS (continued)

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

	2012 £'000	2011 £'000
Salary	122	122
Pension contributions	18	18
	<u>140</u>	<u>140</u>
Accrued pension as at 31 July	16	15
Accrued lump sum as at 31 July	49	44

The pension contributions in respect of the Principal are in respect of employer's contributions to the Scottish Teachers' Superannuation Scheme and are paid at the same rate as for other employees.

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

	2012 Number	2011 Number
Nil	20	19
£1 - £10,000	2	1
£10,001 - £20,000	1	1
£20,001 - £30,000	3	1
£50,001 - £60,000	-	1
£80,001 - £90,000	1	1
£120,001 - £130,000	1	1

There was no remuneration in excess of £70,000,excluding employers' contributions to superannuation schemes, paid to other staff

8 TRAVEL AND SUBSISTENCE

	2012 £'000	2011 £'000
Travel and subsistence - Board members	9	3
Staff	50	42
Hospitality - Board members	3	2
Staff	15	19
	<u>77</u>	<u>66</u>

Notes to the Financial Statements (continued)

9 OTHER OPERATING EXPENSES

	2012	2011
	£'000	£'000
Teaching departments	1,180	1,091
Contracted-out lecturing services	299	316
Teaching support services	64	64
Other support services	162	140
Administration and central services	861	730
General education	178	168
Premises costs	359	340
Repairs, renewals and maintenance	446	414
Other income generating activities	131	125
Residences	608	494
Other expenses	302	267
	<u>4,590</u>	<u>4,149</u>

Other operating expenses include:

Auditors' remuneration	External audit	16	17
	FFELP Contract	2	10
	Internal audit	7	17
Loss on disposal of assets		5	10
(Gain)/loss on sale of investments		16	(9)

Notes to the Financial Statements (continued)

10 TANGIBLE ASSETS

	Building £'000	Speirs Locks Studios £'000	Work in Progress £'000	Furn/Fixt/ Fittings/ Equipment £'000	Stringed Instruments £'000	Other Musical Instruments £'000	Total £'000
<i>Cost or valuation</i>							
At 1 August 2011	28,258	5,647	966	3,792	883	162	39,708
Additions	44	51	200	571	-	6	872
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	(223)	-	-	(223)
At 31 July 2012	<u>28,302</u>	<u>5,698</u>	<u>1,166</u>	<u>4,140</u>	<u>883</u>	<u>168</u>	<u>40,357</u>
<i>Aggregate Depreciation</i>							
At 1 August 2011	5,303	188	-	2,456	72	108	8,127
Depreciation charge	283	190	-	534	9	11	1,027
Disposals	-	-	-	(198)	-	-	(198)
At 31 July 2012	<u>5,586</u>	<u>378</u>	<u>0</u>	<u>2,792</u>	<u>81</u>	<u>119</u>	<u>8,956</u>
<i>Net Book Value</i>							
NBV at 1 August 2011	22,955	5,459	966	1,336	811	54	31,581
NBV at 31 July 2012	<u>22,716</u>	<u>5,320</u>	<u>1,166</u>	<u>1,348</u>	<u>802</u>	<u>49</u>	<u>31,401</u>
<i>Financed by :</i>							
SFC capital grants and receipts	17,678	582	1,095	991	44	25	20,415
Other grants	4,604	3,867	71	80	-	-	8,622
Other	434	871	-	277	758	24	2,364
	<u>22,716</u>	<u>5,320</u>	<u>1,166</u>	<u>1,348</u>	<u>802</u>	<u>49</u>	<u>31,401</u>

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

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

Notes to the Financial Statements (continued)

11 INVESTMENTS

			General Fund 2012 £'000	Total 2011 £'000
Market value at 1 August			1,595	1,451
Additions			155	121
Disposals			(205)	(142)
Increase in market value			6	165
Market value at 31 July			<u>1,551</u>	<u>1,595</u>
Listed investments	2012 Market Value £'000	2012 Cost £'000	2011 Market Value £'000	2011 Cost £'000
Fixed interest stocks	661	466	653	464
Equities	890	770	942	838
	<u>1,551</u>	<u>1,236</u>	<u>1,595</u>	<u>1,302</u>

The fixed asset investments are held in individual funds, each of which is designated for a particular purpose. All the investments shown are quoted on the UK Stock Exchange.

12 ENDOWMENT ASSETS

	Prize Fund £'000	Piano Fund £'000	Capital Campaign £'000	Other £'000	2012 Total £'000	2011 Total £'000
Market value at 1 August	432	626	-	-	1,058	1,100
Additions	38	31	-	-	69	673
Disposals	(41)	(28)	-	-	(69)	(762)
Increase in market value as at 31 July	9	14	-	-	23	47
Market value at 31 July	<u>438</u>	<u>643</u>	<u>-</u>	<u>-</u>	<u>1,081</u>	<u>1,058</u>
Cash and debtors (Note 26)	348	1	5,937	30	6,316	6,470
	<u>786</u>	<u>644</u>	<u>5,937</u>	<u>30</u>	<u>7,397</u>	<u>7,528</u>
Fixed interest stocks	225	248			473	442
Equities	213	395			608	616
Cash and debtors	348	1	5,937	30	6,316	6,470
	<u>786</u>	<u>644</u>	<u>5,937</u>	<u>30</u>	<u>7,397</u>	<u>7,528</u>

All the investments shown above are quoted on the UK Stock Exchange.

Notes to the Financial Statements (continued)

13 DEBTORS

	2012 £'000	2011 £'000
Amounts falling due within one year:		
Trade debtors - net of provision for doubtful debts	160	89
Debts due from students	68	34
Other debtors	35	51
Prepayments and accrued income	771	451
	<u>1,034</u>	<u>625</u>
Amounts falling due after one year:		
Other debtors	<u>74</u>	<u>92</u>

14 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	276	266
Other creditors	361	428
Accruals and deferred income	436	437
Deferred grant receipts	170	473
	<u>1,243</u>	<u>1,604</u>

Deferred grant receipts refer to monies received from the Scottish Funding Council, the RSAMD Endowment Trust, and Estate Development Fund for estates development and other capital projects.

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions £'000
Balance at 1 August 2011	646
Increase in provision	21
Paid/released	(45)
Balance at 31 July 2012	<u>622</u>

A valuation of the existing pension provision was carried out at 31 July 2012 by Hymans Robertson, an independent firm of actuaries.

Notes to the Financial Statements (continued)

16 DEFERRED CAPITAL GRANTS AND RECEIPTS

	SFC Grants £'000	SOEID Grants £'000	Opera School Donations £'000	Other £'000	Total £'000
Balance at 1 August 2011					
Buildings	4,834	14,800	4,658	3,755	28,047
Equipment	1,137	-	-	175	1,312
Total	5,971	14,800	4,658	3,930	29,359
Received during the year					
Buildings	172	-	-	-	172
Equipment	349	-	-	211	560
Equipment disposals	(20)	-	-	-	(20)
Released to Income and Expenditure Account					
Buildings depreciation	(184)	(190)	(54)	(166)	(594)
Equipment depreciation	(384)	-	-	(56)	(440)
Total	5,904	14,610	4,604	3,919	29,037
Balance at 31 July 2012					
Buildings	4,822	14,610	4,604	3,589	27,625
Equipment	1,082	-	-	330	1,412
Total	5,904	14,610	4,604	3,919	29,037

Notes to the Financial Statements (continued)

17 ENDOWMENT FUNDS - PERMANENT

	Prize Fund Capital £'000	Prize Fund Accumulated Income £'000	Piano Fund Capital £'000	Total £'000
Balance at 1 August 2011	588	189	638	1,415
<i>Income</i>				
Funds Introduced	6	3	-	9
Investment income	-	14	27	41
Loss on sale of investments	(10)	-	(6)	(16)
Increase in value of investments	15	-	14	29
	<u>599</u>	<u>206</u>	<u>673</u>	<u>1,478</u>
<i>Expenditure</i>				
Prizes	-	(19)	-	(19)
Transfer to income and expenditure account to meet expenditure incurred	-	-	(27)	(27)
Management fees	-	-	(2)	(2)
Balance at 31 July 2012	<u>599</u>	<u>187</u>	<u>644</u>	<u>1,430</u>

Funds held in trust are used to make awards, scholarships and prizes to students at the Conservatoire.

17 ENDOWMENT FUNDS - EXPENDABLE

	International Chair/Fellows Fund £'000	Capital Campaign Fund £'000	Total £'000
Balance at 1 August 2011	40	6,073	6,113
<i>Income</i>			
Funds Introduced	-	2	2
Investment income	-	73	73
	<u>40</u>	<u>6,148</u>	<u>6,188</u>
<i>Expenditure</i>			
Transfer to deferred capital grant	-	(211)	(211)
Transfer to income and expenditure account to meet expenditure incurred	(10)	-	(10)
Balance at 31 July 2012	<u>30</u>	<u>5,937</u>	<u>5,967</u>
Of which:			
Capital	-	5,796	5,796
Accumulated income	30	141	171
	<u>30</u>	<u>5,937</u>	<u>5,967</u>

Notes to the Financial Statements (continued)

18 SHARE CAPITAL

	2012		2011	
<u>Authorised:</u>				
15,000 Ordinary Shares of £1 each	£	15,000	£	15,000
<u>Allotted, Issued and Fully Paid:</u>				
7,284 Ordinary Shares of £1 each	£	7,284	£	7,284

19 REVALUATION RESERVE

	Investments £'000	Tangible Assets £'000	Total £'000
Balance at 1 August 2011	292	732	1,024
disposal of investments	15	-	15
Revaluation of investments	7	-	7
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	-	(9)	(9)
Balance at 31 July 2012	314	723	1,037

20 GENERAL RESERVES

	Capital £'000	Revenue £'000	Pension £'000	Total £'000
Balance at 1 August 2011	505	2,707	429	3,641
Surplus for the year before transfers from revaluation reserve	-	313	-	313
Transfer to revaluation reserve	-	(6)	-	(6)
Pension reserve (Note 27)	-	-	(2,294)	(2,294)
Transfer between reserves	-	(143)	143	-
Balance at 31 July 2012	505	2,871	(1,722)	1,654

Notes to the Financial Statements (continued)

21 LEASE OBLIGATIONS

	2012 £'000	2011 £'000
Annual operating lease commitments in respect of lease of Premises expiring:		
Over five years	<u>673</u>	<u>599</u>
Annual operating lease commitments in respect of lease of musical instruments expiring:		
Within one year	<u>22</u>	<u>-</u>
Within two and five years inclusive	<u>96</u>	<u>73</u>
Over five years	<u>-</u>	<u>-</u>

22 CAPITAL COMMITMENTS

	2012 £'000	2011 £'000
Commitments contracted at 31 July	392	370
Authorised but not contracted at 31 July	4,527	68

Capital commitments authorised but not contracted relate to the estimated remaining cost to complete the second phase development at Speirs Locks.

23 RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 £'000	2011 £'000
Surplus before transfers	313	380
Transfers to endowments	-	(22)
Pension costs less contributions payable	(143)	(67)
Loss on sale of assets	5	26
(Gain)/Loss on sale of investments	32	(163)
(Increase) in value of investments	(29)	(35)
Depreciation charge(Note 10)	1,027	949
Transfer from deferred grant(Note 16)	(980)	(750)
Transfer from Opera School appeal donations(Note 5)	(54)	(54)
(Decrease)/increase in creditors	(361)	(3,540)
Decrease/(increase) in debtors	(391)	13
Net cash flow from investments	(206)	(167)
Net increase/(decrease) in endowment funds	(131)	4,211
Net transfers to/(from) provisions	(24)	14
Net cash (inflow)/ outflow from operating activities	<u>(942)</u>	<u>795</u>

Notes to the Financial Statements (continued)

24 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2012 £'000	2011 £'000
Investment income	54	56
Other interest received	11	14
Pension fund net interest	141	97
	<u>206</u>	<u>167</u>

25 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2012 £'000	2011 £'000
Capital and special initiative grants	732	7,798
Additions to tangible fixed assets - excluding donated assets(Note 10)	(872)	(4,678)
Proceeds - sale of investments	249	1,067
Proceeds - sale of assets	-	-
Purchase of fixed asset investments(Note 11)	(155)	(121)
Purchase of endowment asset investments(Note 12)	(69)	(673)
	<u>(115)</u>	<u>3,393</u>

26 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2011 £'000	Cash Flows £'000	At 31 July 2012 £'000
Cash in hand and at bank	1,959	(697)	1,262
Endowment asset cash and debtors	6,470	(154)	6,316
	<u>8,429</u>	<u>(851)</u>	<u>7,578</u>

Notes to the Financial Statements (continued)

27 PENSION COMMITMENTS

The Conservatoire's employees belong to two principal pension schemes; the Scottish Teachers' Superannuation Scheme (STSS) and a Local Government Pension Scheme administered by the Strathclyde Pension Fund (SPF) which are of the defined benefit type.

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

The total pension cost for the year was :

	2012 £'000	2011 £'000
Contributions to STSS	366	349
Contributions to SPF	528	503
	<hr/> 894	<hr/> 852
Increase in pension provision	21	60
	<hr/> 915	<hr/> 912

The actual cost of contributions paid by the Conservatoire during the year for the SPF was £532,000. Contributions for 2013 are estimated to be £548,000.

There were no outstanding contributions payable at 31 July 2012.

Scottish Teachers' Superannuation Scheme

The STSS is an unfunded multi-employer defined benefit scheme. Contributions on a pay as you go basis, are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates. Under the definitions set out in the Financial Reporting Standard 17 'Retirement Benefits', the STSS is a multi employer pension scheme. The Conservatoire is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly the Conservatoire has accounted for its contributions as if it were a defined contribution scheme. The pensions cost is assessed every five years in accordance with the advice of the Government Actuary. The assumptions and other data at 31 March 2005 that had the most significant effect on the determination of the contribution levels were as follows:-

Valuation Method: Prospective benefits	
Investment return per annum:	6.5%
Rate of real earnings growth:	1.5%
Notional value of assets at date of valuation:	£18,474M
Present value of liabilities at date of valuation:	£19,310M

The results of this valuation were rolled forward to give a liability of £21,970M at 31 March 2011 on the basis of the following assumptions

Rate of return (discount rate)	5.60%
Rate of return in excess of:	
Earning increases:	0.70%
Price increases	2.90%

Notes to the Financial Statements (continued)

27 PENSION COMMITMENTS(continued)

The employer contribution rate for the period from 1 August 2011 to 31 July 2012 was 14.9% of pay. The employee contribution rate from 1 August 2011 to 31 March 2012 was 6.4 %. The employee contribution rate from 1 April 2012 to 31 July 2012 was a variable rate depending on the level of salary ranging from 7.3% to 8.8%. The scheme is an unfunded scheme and it is not intended that the scheme will have a level of financial assets which match the liabilities of the scheme. The full actuarial review of the scheme is available from the Government Actuary's Department.

Strathclyde Pension Fund

The Strathclyde Pension Fund provides benefits on final pensionable salary for employees of local government and some other institutions. This scheme, a multi-employer defined benefit scheme, covers past and present employees. In accordance with FRS17 the Conservatoire accounts for the scheme on a defined benefit basis.

The employer contribution rate for the period from 1 August 2011 to 31 July 2012 was 19.3% of pay. The employee contribution rate for the period from 1 August 2011 to 31 July 2012 was a variable rate dependent upon the level of salary ranging from 5.5 % to 9%.

A valuation of the Conservatoire's benefit obligations in respect of its members has been made by a qualified independent actuary based on the 31 March 2011 valuation results, rolled forward onto the FRS 17 assumptions at 31 July 2012.

The major assumptions used are shown below.

Principal actuarial assumptions (expressed as weighted averages) at the end of the year were as follows:

Financial assumptions

	2012	2011
	%	%
Pension increase	2.2	2.7
Salary increase rate	4.5	5.0
Expected return on assets	4.9	6.4
Discount rate	4.1	5.3

Mortality assumptions

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

	Male	Female
Current pensioners	21.0 years	23.4 years
Future pensioners	23.3 years	25.3 years

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

	2012	Value	2011	Value
	Long term	£'000	Long term	£'000
	rate of return		rate of return	
	%		%	
Equities	5.5	8,664	7.0	7,974
Bonds	3.3	1,543	4.7	1,364
Property	3.7	949	5.1	629
Cash	2.8	712	4.0	525
		<u>11,868</u>		<u>10,492</u>
			2012	2011
			£'000	£'000
Fair value of plan assets			11,868	10,492
Present value of funded defined benefit obligations			(13,590)	(10,063)
Present value of unfunded defined benefit obligations			-	-
Net (liability)/asset			<u>(1,722)</u>	<u>429</u>

Notes to the Financial Statements (continued)

27 PENSION COMMITMENTS(continued)

Movements in fair value of plan assets	2012 £'000	2011 £'000
At 1 August	10,492	9,019
Expected return on plan assets	689	611
Actuarial gains/(losses)	133	371
Contributions by the employer	532	473
Contributions in respect of unfunded benefits	-	-
Contributions by members	181	173
Unfunded benefits paid	-	-
Benefits paid	(159)	(155)
At 31 July	<u>11,868</u>	<u>10,492</u>
Movements in present value of defined benefit obligations	2012 £'000	2011 £'000
At 1 August	10,063	9,254
Current service cost	530	503
Past service costs	-	-
Loss on curtailments	-	-
Interest cost	548	514
Actuarial losses/(gains)	2,427	(226)
Contributions by members	181	173
Estimated unfunded benefits paid	-	-
Benefits paid	(159)	(155)
At 31 July	<u>13,590</u>	<u>10,063</u>
Expense recognised in the income and expenditure account	2012 £'000	2011 £'000
Current service cost	530	503
Past service cost	-	-
Loss on curtailments	-	-
Total operating charge	<u>530</u>	<u>503</u>
Expected return pension scheme assets	(689)	(611)
Interest cost	548	514
Total net finance return	<u>(141)</u>	<u>(97)</u>
Total pension cost recognised in the income and expenditure account	<u>389</u>	<u>406</u>

Notes to the Financial Statements (continued)

27 PENSION COMMITMENTS(continued)

	2012 £'000	2011 £'000
Statement of total recognised gains and losses		
Actuarial (loss)/gain in present value of defined benefit obligations	(2,427)	226
Actuarial gain in fair value of plan assets	133	371
Pension liability opening balance at 1 August 2011	-	(235)
	<u>(2,294)</u>	<u>362</u>
Cumulative actuarial (losses)	<u>(3,579)</u>	<u>(1,285)</u>

The history of the plan for the current period is as follows:

	2012 £'000	2011 £'000
Balance sheet		
Present value of scheme liabilities	(13,590)	(10,063)
Fair value of scheme assets	11,868	10,492
Net (Liability)/Asset	<u>(1,722)</u>	<u>429</u>

28 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 July 2012 (2011: Nil).

29 RELATED PARTY TRANSACTIONS

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

30 DISCRETIONARY AND CHILDCARE FUNDS

	Childcare £'000	Discretionary £'000	Total £'000
Balance unspent at 1 August 2011 (Restated)	1	3	4
Allocation Received in year	11	45	56
Expenditure	(7)	(51)	(58)
Repaid as claw back	-	(2)	(2)
Institution contribution to funds	-	-	-
Virements	4	(4)	-
Balance unspent at 31 July 2012	<u>9</u>	<u>(9)</u>	<u>-</u>
Repayable as claw back	-	-	-
Retained by institution for students	-	-	-

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

MEMBERSHIP OF COMMITTEES

Members of main committees reporting to the Board of Governors served during the whole of the year to 31 July 2012 unless otherwise stated.

Academic Board

Principal (Convenor)
 Vice Principal
 President of the Students' Union
 Head of Information Services
 Convenor of Academic Standards Committee – Ewan Hainey
 Elected - academic staff- School of Music – Gordon Munro
 Elected - academic staff- School of Drama- Adam McIlwaine
 Elected - student body
 Co-opted – other academic institution – Trevor Hart (University of St. Andrews)
 Co-opted - music profession – Gavin Reid
 Co-opted - drama profession – Andy Arnold

Finance

James Miller (Convenor)
 Sandy Crombie (until 23 March 2012)
 Chair of the Board
 Principal
 Joyce Goodwin
 Eileen Mackay
 Philip Oppenheim

Honorary Awards

Principal (Convenor)
 Chair of the Board
 Vice-chair of the Board
 Dean - School of Music
 Dean – School of Drama
 Director of Finance and Estates
 Professor Niall Lothian (Convenor)

Audit

John Hylands (Convenor)(from 28 October 2011)
 Eileen Mackay
 Norman Sharp
 Professor Niall Lothian (Convenor)(retired 28 October 2011)

Buildings

Thomas Gilchrist (Convenor)
 Sandy Crombie (until 23 March 2012)
 Philip Oppenheim
 Chair of the Board
 Steve Inch (from 13 January 2012)

Nominations

Chair of the Board
 Principal
 Bridget McConnell
 Sandy Crombie
 Brian McMaster

Health and Safety

Chris Parr (Convenor)
 Vice Principal
 Director of Finance and Estates
 Director of Human Resources
 Conservatoire Secretary
 Dean of Music
 Dean of Drama and Dance
 Student Union President
 Academic Staff Representative
 Academic Support staff representative
 Trade union representative
 Health and Safety Adviser

Remuneration Committee

Chair of the Board
 Sandy Crombie
 Eileen Mackay
 James Miller

Risk Management Group

Director of Finance (Convenor)
 Dean – School of Music
 Dean – School of Drama
 Registrar
 Head of Marketing
 Head of Information Services
 IT Manager
 Director of Human Resources
 Head of Fundraising
 Health and Safety Advisor
 Conservatoire Secretary
 Head of Estates
 Student Union President

Strategy Committee

Chair of the Board
 Vice-chairs of the Board (2)
 Thomas Gilchrist
 Eileen Mackay
 Brian McMaster

PROFESSIONAL ADVISERS

Bankers

The Royal Bank of Scotland plc
10 Gordon Street
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Adam & Company plc.
238 West George Street
Glasgow G2 4QY

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25 Monument Street
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2 Buchanan Street
Glasgow
G1 3LB

External Auditors

Grant Thornton UK LLP
95 Bothwell Street
Glasgow G2 7JZ

Internal Auditors

KPMG
191 West George Street
Glasgow G2 2LJ

Solicitors

MacRobert's
152 Bath Street
Glasgow G2 4TB

Pinsent Masons
123 St Vincent Street
Glasgow G2 5EA

Investment Advisers

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130 St Vincent Street
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