

**Royal Conservatoire of Scotland**

**A Company Limited by Guarantee**

**Annual Report**

**And**

**Financial Statements**

**For the Year Ended 31 July 2014**

**Company Registration No.SC04703**

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OFFICE BEARERS

Patron	His Royal Highness The Prince Charles, Duke of Rothesay DACad (Hon RSAMD)
Patron of the Junior Conservatoire	Nicola Benedetti MBE DMus (Hon RCS)
President	Sir Cameron Mackintosh FRSAMD
Vice President	The Right Honourable Lord Gill FRSAMD
Chairman of Governors	Lord Vallance of Tummel
Principal	Jeffrey Sharkey (from 1 September 2014) John Wallace CBE DCon (Hon RCS) FRSAMD (to 31 August 2014)
Secretary	Ewan Hailey
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 2014.

***Constitution***

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

The terms of the constitution, membership, powers and proceedings of the Board of Governors are set down in the Memorandum and Articles of Association as varied by, and in conformity with the provisions of, The Royal Scottish Academy of Music and Drama (Scotland) Order of Council 1995. The Conservatoire has submitted amendments to these provisions to reflect changes to its management structure, which are currently being considered through due process. As part of that process, the Order of Council will be amended to reflect the institution's title of Royal Conservatoire of Scotland, which was adopted in 2011.

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, and for, the performing arts. Programmes offered range from short courses for young children through to PhD and include all genres of the performing arts.

The Conservatoire's 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's strategic plan 'Creating the Future for Performance' has six underpinning strategic aims, which are to:

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; and
6. through all of the above, to enhance our position and profile as a world-class artistic learning, teaching and research community.

**Conservatoire Values**

Within our learning and artistic community we value:

Each other - we respect the uniqueness of each individual and the ability to work and play as a team

Creativity - we are adventurous, imaginative and innovative

Integrity - we are open, honest and self-aware

Equality and Diversity - we celebrate the spirit of humanity

Passion - we bring exceptional depth to our approach to learning and the arts

## STRATEGIC REPORT

The Conservatoire has continued to make good progress towards achieving the objectives set out in its strategic plan *Creating the Future for Performance: 2012/15*. This can be found on our website at [http://www.rcs.ac.uk/about\\_us/aboutus/visionvalues/](http://www.rcs.ac.uk/about_us/aboutus/visionvalues/)

### Curriculum and Quality Enhancement

The implementation of the undergraduate curriculum introduced in 2012/13 is being closely monitored through a number of systems and processes. All indications are that the curriculum is successful – Academic Board received an evaluative progress report in October 2013 on the first year's implementation and was satisfied with progress.

Feedback in relation to the second year of the delivery of the curriculum is being considered on a continuous basis and, where appropriate, adjustments are being made, or will be made, for subsequent years. Notably, and on the basis of feedback received, Academic Board has agreed that the number of weeks available for teaching should, from session 2014/15, be increased by one.

In accordance with the Conservatoire's schedule of review, the undergraduate curriculum will be subject to review in 2014/15. A review of postgraduate provision was undertaken in 2013/14, with all new programmes being approved.

The Conservatoire's overall student satisfaction scoring in the National Student Survey was 88% (2013:84%) which compared with the conservatoire sector average of 86% (2013:88%). The NSS results and related feedback are analysed closely and form the basis of action plans for improvement.

The volume and diversity of short course and summer school activity continue to expand. In August 2014, an outstanding summer school 'Concerto for the Commonwealth' was led by Nicola Benedetti, which drew young people from around the world to the Conservatoire. It is hoped that this format will become an annual event.

### Research and Knowledge Transfer

The Conservatoire's submission to the Research Excellence Framework (REF 2014) was made in December 2013 and, as planned, included drama research for the first time. There was a small increase in the overall size of the submission compared with RAE2008 (from 11.80 to 14.78 FTE), but many more staff were considered for inclusion, reflecting the considerable growth in research activity at the Conservatoire in the REF assessment period. Results for REF 2014 will be announced on 18 December 2014.

Building on the success of its Athenaeum Sabbatical Awards and the support for staff offered through its researcher development sessions, new initiatives in 2013/14 included the establishment of the 'Athenaeum Small Projects' award scheme, to which staff can now apply for funding of up to £3,000 towards a discrete research or knowledge exchange project. Five awards have been made to date. The Conservatoire is also supplying research expertise to the Scottish Government's Instrumental Music Group.

November 2014 will see the first of three major research conferences that the Conservatoire is hosting in the coming years: the Biennial of the European League of Institutes of the Arts (ELIA), co-hosted with the Glasgow School of Art.

### Estates and Infrastructure

The second phase development of Speirs Locks was completed. The £6M development, which comprises eight medium and large scale rehearsal studios, was formally opened on 12th June 2014 by Professor James MacMillan, at which time the whole building was re-named the Wallace Studios at Speirs Locks. In its entirety, the development of the Wallace Studios at Speirs Locks represents a truly transformational project, funded predominantly from philanthropic sources.

A new room booking system designed specifically for a conservatoire environment was implemented. In addition to providing improved customer functionality, the system will also be a useful tool in our efforts to enhance the efficiency and effectiveness of space usage.

The Conservatoire website was re-designed making it easier to navigate and download to mobile devices and has multi-lingual function. This improvement is an important part of an increased focus on student recruitment.

The Conservatoire's archives benefited from a number of acquisitions, notably the world-class Webb Collection of brass and woodwind instruments and the brass manuscript archive of Mr Ed Tarr.

### Outcome Agreements

Outcome Agreements were introduced across the higher education sector by the SFC in 2012 and are intended to set out what higher education institutions plan to deliver in return for their funding from the SFC. SFC state that 'the focus of Outcome Agreements is on the contribution that higher education makes towards improving life chances, supporting world-class research and creating sustainable economic growth for Scotland'.

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

#### Partnerships and International Activity

As part of the programme of cultural activities that took place in the run-up to the Commonwealth Games, twenty staff and students, led by the Principal, joined Nicola Benedetti, James MacMillan and the BBC Scottish Symphony Orchestra on a tour of a number of major cities in India. This was an extraordinarily successful collaboration that involved public performances and masterclasses, in which Conservatoire students played a central role. As well as being immediately impactful, this project has created a number of opportunities for future collaboration. Most significantly, the Conservatoire has signed a Memorandum of Understanding with AR Rahman's KM Conservatory in Chennai.

Staff and students from the BA Acting took a production of *Coriolanus* to St Petersburg and the *Merchant of Venice* to Taiwan and a group of staff and students attended the closing ceremony of the International Society of Music Educators (ISME) conference in Brazil. The Conservatoire will host the ISME conference in 2016 - one of a series of high profile international conferences which the Conservatoire will host over the next three years.

The Conservatoire continued to work with the University of Glasgow in the delivery of the BEd Music, the University of St Andrews in the delivery of its higher degrees by research and the National Piping Centre in the delivery of the piping strand of the BA Scottish Music. The Conservatoire also continued its collaboration with the University of Edinburgh which is intended to, amongst other things, exploit opportunities presented by the Edinburgh Festivals and, with the Edinburgh International Festival, ran a successful short course entitled '*Developing Artistic Entrepreneurship*'.

#### Equality, Diversity and Widening Participation

The Conservatoire was awarded additional recurrent funding from the SFC to provide access programmes (Transitions 20/40) in all disciplines to pre-HE students from under-represented socio-economic groups domiciled in Scotland. The first 40 students commenced the Transitions 20/40 programme in August 2013, with a further 60 students joining them in August 2014. The programme's primary objective is to facilitate progression to the Conservatoire's higher education provision. Of the first Transitions 20/40 cohort, we are currently aware of three unconditional offers of places at the Conservatoire, three offers from other HEIs and two students progressing to further education. This initiative arose from dialogue with SFC during the formulation of the Conservatoire's Outcome Agreement and forms an important part of the Conservatoire's engagement with the widening access agenda. A research study has also begun, which will track the impact of this initiative over six years.

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 low progression secondary schools through a scheme called Entry to the Creative Industries (ETTCI), which is part of the SFC-funded access initiative to support pre-higher education students in the West of Scotland (FOCUS West). To date we are aware of eight ETTCI participants being offered UG places at the Conservatoire for the 2014/15 intake (2013/14: four).

At the request of the Scottish Government, the Conservatoire administered a grant of £1M to fund the purchase of musical instruments by Local Authority Education Departments to provide better access to young people across Scotland currently deprived of the opportunity to learn to play an instrument. The Conservatoire devised a bid scheme, approved by the Scottish Government, which invited submissions from all Local Authorities. The first grant award was made in August 2013 and at 31 July 2014 the bulk of the £1M has been awarded.

A Conservatoire-wide equality impact assessment exercise was undertaken during the year and an action plan has been created to embed further equality and diversity in all aspects of the Conservatoire's operation. As an employer; a provider of education and a performing arts venue, the Conservatoire is wholly committed to the promotion of equality and the celebration of diversity and, in all of its policies and practices, willingly meets its duties under the 2010 Equalities Act.

The Board of Governors has agreed that it will seek to achieve a minimum representation of 40% for either gender amongst Independent Governors by July 2019 and has further agreed to monitor Board membership (on a voluntary basis) in terms of the nine identified protected characteristics.

#### Health, Safety and Child Protection

There continued to be a focus on improving health and safety awareness and culture. A suite of on-line training programmes are introduced in which all students and staff are required to participate. The Conservatoire also invested in specialist health and safety training for Heads of Department and staff received training in child protection

awareness.

### Human Resources

An improved counselling and support service was introduced, in addition to the existing occupational health provision to enhance support for our staff.

A Director of Academic Innovation was appointed, who, amongst other things, will have responsibility for overseeing the development of short courses and identifying and exploiting other commercial opportunities.

Domestic services staff contracts have been altered from a zero hours to an annualised hours basis, which will improve levels of service and enhance staff engagement and retention.

Professor John Wallace retired after twelve years as Principal and the Board of Governors wishes to record its appreciation to Professor Wallace for his inspirational and visionary leadership. The Board also wishes to extend a warm welcome to the incoming Principal, Jeffrey Sharkey, who took up post on 1 September 2014.

### Corporate Structure

A revised corporate structure for the Conservatoire as a company limited by guarantee with a shareholding was adopted. A representative of each of the key constituencies of the Conservatoire now 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 represented by the Principal; and the Chairman representing the Board of Governors and wider society. One of the descendants of one the Conservatoire's philanthropic founding families also retains a shareholding. Shareholders are entitled to vote at the Annual General Meeting which, under the new arrangements, has become a much more significant event than hitherto. All staff, students and a wide range of external stakeholders were invited to attend the AGM in December 2013 and it is intended to continue with that format into the future.

## **Financial Results**

### Financial Summary

	2014 £'000	2013 £'000
Income	18,142	16,818
Expenditure	<u>18,013</u>	<u>16,567</u>
Surplus on continuing operations	<u>129</u>	<u>251</u>
Capital expenditure	<u>4,808</u>	<u>1,175</u>
Cash at bank and in hand	<u>1,515</u>	<u>1,920</u>
Net current assets	<u>1,110</u>	<u>1,179</u>
Pension (liability)/asset	<u>(1,200)</u>	<u>597</u>

This was a challenging year financially with the surplus on continuing operations well below the original budgeted surplus of £307,000. The shortfall was due to significantly lower than targeted overseas and postgraduate student recruitment and retention and the impact of pensions auto enrolment which had to be implemented sooner than anticipated. This is a relatively high cost for the Conservatoire as the participation rate from the many part-time staff has historically been low. Contingency funds were fully utilised and departmental budget savings had to be identified in order to mitigate the impact and ensure that a surplus was achieved.

The position relating to the Conservatoire's involvement in Strathclyde Pension Fund has deteriorated this year due mainly to a reduction in the bond yield assumptions used in calculating future pension liabilities. As a result the net pension deficit at 31 July 2014 is £1,200,000 (2013: an asset of £597,000). Accounting policy 1f and note to the accounts 27 disclose details of the way pension assets/liabilities are treated in the financial statements.

Cash on hand at 31 July 2014 was £1,515,000 (2013: £1,900,000 including £1,000,000 relating to the Scottish Government Instrument Fund).

### Summary of Investment Performance

The Conservatoire's investments are managed on a discretionary basis by a professional fund manager on behalf of the Board of Governors and monitored by the Finance and General Purposes Committee. The total return for the year across the managed portfolio was +2.0% compared with a benchmark of +4.3%. The shortfall against benchmark is mainly due to the underperformance of holdings in the retail food sector.

## Risks and Uncertainties

### Strategic Risks

The Conservatoire's current strategic risks are:

- Failure to meet Scottish/EU, rest of UK (RUK) and international recruitment targets;
- failure to build on international standing;
- reputational risks associated with participating in the National Student Survey and league tables more generally;
- lapse in the application of health and safety procedures and policies or a deficiency in those procedures and policies;
- failure to deliver strategic objectives due to lack of management capacity or project/change management;
- damage caused by a serious child protection incident; and
- failure to deliver the postgraduate reform.

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

### Student Recruitment

The Conservatoire has a high proportion of students from the RUK and wishes to increase that number, particularly in music, as part of a controlled expansion to achieve the optimum size and balance between the various instrumental specialisms. Increasingly divergent approaches to student and higher education finance between Scotland and the RUK create additional uncertainty about the future levels of recruitment of the best quality students from RUK in what is a very competitive market. A Recruitment and Retention Group has been established to oversee the management of student recruitment across the piece and a Student Recruitment Strategy has been developed under the leadership of the Deputy Principal.

### Pensions and National Insurance Contributions

There are still a significant number of employees who are classed as deferred entrants to the defined benefit pension schemes. The level of uptake of the pension schemes by this group and by future employees could result in a significant increase to the Conservatoire's cost base. The Board has agreed to launch a new defined contribution scheme from October 2014 to provide an alternative savings vehicle for employees who are ineligible or do not wish to participate in the defined benefit schemes.

The increase in national insurance to be introduced from April 2016 will have a major impact on the Conservatoire's cost base as there is no scope to mitigate the additional employer's costs by implementing changes to the pension schemes.

### Financial Reporting Regulations

New financial reporting regulations which come into force in 2015/16 will have a material impact on the reported results, particularly in relation to accounting for donated assets, of which the Conservatoire has a significant proportion. It is very likely that the changes will result in the Conservatoire reporting operating losses year on year unless there is an instance of a large donation. Despite the fact that the underlying financial position remains as it is at present, the potential for a negative impact on external stakeholder perceptions of the Conservatoire's financial health is significant and a matter of concern to the Board.

### Financial Planning

The funding outlook for recurrent and capital funding remains challenging and uncertain. The cost pressures noted earlier in the report mean that it is essential that the Conservatoire continues to pursue income growth across the range of its activities in order to fund the increasing cost base and to ensure continued financial sustainability. Additional investment has been made in the student recruitment function and plans are in place to invest further in development and fundraising. At the same time, financial planning is based around setting achievable targets and building in as much contingency as possible.

### Strategic Plan

The Conservatoire's current strategic plan, *Creating the Future for Performance*, extends to 2015. Early in 2014/15, the Conservatoire's recently appointed Principal will commence an inclusive consultative process to inform the development of the next strategic plan, which will extend from 2015 to 2020. The formulation of that plan will, in turn, inform the priorities articulated in the SFC Outcome Agreements for the same period.

### New Programmes

In addition to the introduction of a new postgraduate curriculum in 2014/15, the following new programmes will be introduced:



**Programme****Commencing**

MA Learning and Teaching (Gaelic Arts)	September 2014
BA Performance in British Sign Language/English	September 2015
MA Learning and Teaching in Performing Arts	September 2015
PG Diploma Dance Teaching	September 2016 (provisional)
BA Acting (Gaelic)	September 2016 (provisional)

**Estates**

The projected growth in student numbers means that the next phase of estate development is already under consideration so as to ensure that the Conservatoire continues to provide a world-class learning and working environment for students and staff. The Conservatoire will continue to engage with Glasgow City Council to integrate as effectively as possible its own estate development aspirations with the City Development Plan.

## Monitoring of Performance

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

	2013-14	2012-13
<b>Income growth and diversity</b>		
Operating surplus as a percentage of turnover	0.7%	1.5%
Earnings before Interest, Tax, Depreciation and Amortisation	£203K	£418K
Financial forecast operating surplus (based on existing FRS)		
2014-15	£206K	£175K
2015-16	£81K	£56K
2016-17	£171K	N/A
Percentage of funding		
SFC	57%	60%
Undergraduate and postgraduate tuition fees	26%	25%
Junior Conservatoire and Short course tuition fees	8%	8%
Box Office and letting	2%	1%
Donations and other income	7%	6%
<b>Infrastructure</b>		
Capital Investment as % of insurance value	6%	0.3%
Building condition		
Category A – as new	59%	56%
Category B- completely fit for purpose	41%	44%
<b>UG and PG Applicant demand, student achievement and satisfaction</b>		
Applicants:		
Scottish	1,275	1,271
EU	313	292
RUK	1,009	977
International	456	427
Total	3,053	2,967
Students:		
Scottish	451	488
EU	135	92
RUK	193	216
International	140	113
Total	919	909
Applications: offers : acceptances	9.5 : 1.2 : 1	8.7 : 1.2 : 1
Percentage of applicants with a declared disability	11.2%	10.2%
Percentage of undergraduate and postgraduate students with a declared disability	18.6%	14.7%
Scots undergraduate applicants from SIMD 20/40 as percentage of total Scots applicants	25.0%	21.1%
Scots undergraduate entrants from SIMD 20/40 as percentage of total Scots entrants	23.8%	19.3%
Scots undergraduates from SIMD 20/40 as percentage of total Scots undergraduates	21.4%	21.9%
Ratio of undergraduate to postgraduate students	4.7:1	4.5:1
Student Achievement Rate <sup>1</sup>	95.3%	94.6%
Course Completion Rate	87.2%	86.4%

<b>External engagement</b>	2013-14	2012-13
National Student Survey overall satisfaction rating	88%	84%
HESA Destination of leavers percentage in work or further study	91.5%	90.8%
Number of internally generated student performances	370	383
Audience number	40,961	40,307
Audience number as a percentage of capacity	54%	49%

<sup>1</sup>The student achievement rate is calculated from the number of students who commence the year and then successfully complete the year, on a cohort by cohort basis. The overall progression gives the percentage of annual successful academic progression for each programme of study.

**THE BOARD OF GOVERNORS OF THE ROYAL CONSERVATOIRE OF SCOTLAND**

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

**Primary Responsibilities**

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

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

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

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

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

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

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

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

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

To ensure that the Royal Conservatoire meets its commitments to the Scottish Funding Council for Further and Higher Education and other funding providers.

To safeguard the good name and values of the Royal Conservatoire.

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

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

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

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

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

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

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

To act as custodian for any legacy, endowment, bequest or gift made directly to the Royal Conservatoire.

To ensure that the Royal Conservatoire's constitution is followed at all times and that its business is conducted in accordance with its various statutory obligations and that appropriate advice is available to enable this to happen.

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

#### Reserved Powers

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

#### Board of Governors: Effectiveness Review

In November 2013, the Board of Governors initiated a review of its effectiveness, supported by an external facilitator. Although externally facilitated, the main task remained with the Board itself to reflect on its own effectiveness.

The effectiveness review was set in the context of the Scottish Code of Good HE Governance (the Code) and in December 2013 the Secretary of the Board circulated a detailed questionnaire to all Governors seeking views on a wide range of questions relating to the performance of the Board. The results of the questionnaire facilitated the development of a template that the external facilitator used to structure a series of individual interviews with Governors. In all, thirteen Governors were selected for one-to-one interviews. They represented a cross-section of Governors including staff, student and Independent Governors, the Principal, and the Chair.

The template used for the Governor interviews was divided into three parts, viz: (a) What is going well; (b) Areas for Improvement; (c) The Code – Key Elements. The first two parts were derived from the analysis of the questionnaire responses, whilst the third part reflected the requirements of the Code.

Overall, the responses to the questionnaire together with the detailed interviews, provided assurance that governance in the Conservatoire is highly effective, a conclusion which is neatly summarised by the external facilitator in the concluding paragraphs of his report:


*It is evident from both the responses to the questionnaire and the extensive interviews on a one-to-one basis that the Board is highly effective. There is much good practice and a strong sense of shared purpose and commitment to the values of the Conservatoire. Also, by any standards of comparison across Scottish HEIs, the level of expertise and experience represented on the Board is outstanding.*

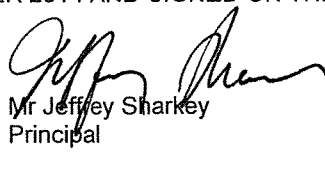
Notwithstanding that comprehensively positive outcome of the review, and in the spirit of continuous improvement, 22 action points arose from the review, 16 of which have been addressed and 6 are being addressed.

#### 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 endeavors to include and abide by specific payment terms. The creditors' balance at 31 July 2014 represented 7% 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 31 OCTOBER 2014 AND SIGNED ON THEIR BEHALF BY

  
Lord Vallance of Tummel  
Chairman

  
Mr Jeffrey Sharkey  
Principal

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

The following received honorary doctorates during the academic session 2013-14

Doctor of the Conservatoire

John Wallace

Doctor of Music

John Cushing  
A R Rahman  
John Gracie

Doctor of Dance

Jin Xing

**Governors**

The Governors set out in the table below have held office during the whole of the period from 1 August 2013 to the date of this report unless otherwise noted.

*Independent Core Governors*

Lord Vallance of Tummel (Chairman)  
Sir Sandy Crombie (Vice Chairman)  
Miss Eileen Mackay (Vice Chairman)  
Ms Joyce Goodwin  
Mr John Hylands (Senior Independent Governor)  
Dr Steve Inch OBE  
Dr Paul Jourdan  
Mr Mark Leishman (from 25 October 2013)  
Mr James Miller (to 25 October 2013)  
Mr Donald MacRae OBE  
Mr Gavin Reid

*Independent Co-opted Governors*

Professor Norman Gillies  
Sir Brian McMaster (to 18 February 2014)  
Ms Carol Main (from 25 April 2014)  
Professor Norman Sharp OBE  
Mrs Agnes Robson (from 25 October 2013)  
Dr Cindy Sughrue OBE

*Governors ex officio*

The Principal:

Professor John Wallace CBE DCon (Hon RCS) FRSAMD (to 31 August 2014)  
Mr Jeffrey Sharkey (from 1 September 2014)

The President, Students' Union:

Mr Iain Jennison (to 30 June 2014)  
Mr Ian McBain (from 1 July 2014)

Professor Maggie Kinloch, Deputy Principal

*Staff Governors-elected*

Mr Matthew Chinn (Support Staff)  
Dr Gordon McPherson (Academic Board, from April 2014)  
Mr Mark Saunders (Academic Staff)

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

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

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

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

**Governors' interests**

Matthew Chinn	60 ordinary shares of £1
Iain Jennison	60 ordinary shares of £1
Mark Saunders	60 ordinary shares of £1
Lord Vallance (Chairman)	60 ordinary shares of £1
John Wallace	60 ordinary shares of £1 (to 31 August 2014)
Jeffrey Sharkey	60 ordinary shares of £1 (from 1 September 2014)

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.

**Staff and student involvement**

Staff and students are involved at all levels of the formal committee structure of the Conservatoire, under the Academic Board, Remuneration Committee and Nominations Committee. Elected staff and student Governors are also shareholders in the Company and are entitled to vote at the Annual General Meeting.

**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 31 OCTOBER 2014 AND SIGNED ON THEIR BEHALF BY

Lord Vallance of Tummel  
Chairman

Mr Jeffrey Sharkey  
Principal

## CORPORATE GOVERNANCE STATEMENT

The Royal Conservatoire of Scotland is not required to comply with the UK Code of Corporate Governance issued by the Financial Reporting Council in 2010 but adopts applicable principles as best practice. The Conservatoire fully complies with the principles as far as they apply to Higher Educational Institutions with the exception of section A1.2 regarding the disclosure of individual attendance by Governors at Board and committee meetings. In serving this academic institution individual Board members give of their time voluntarily and contribute greatly to the furtherance of the work of the Conservatoire in a variety of ways that are not necessarily reflected through attendance at meetings. The Board is therefore of the view that it is inappropriate to disclose this information. Sections; B6.2, B7.1, C3.2, D1.3, D2.4 and E1.2 are not applicable due to the size and particular corporate structure of the Conservatoire.

All Governors are made aware of the Governor Development Programme offered by the Leadership Foundation for Higher Education and in 2013/14 there were five attendances at Leadership Foundation events (including one by the Board Secretary).

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

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

Details of the Governors are set out on page 14.

The Board consists of

1. Independent members with proven experience in industrial, commercial or employment matters or the practice of any profession
2. Governors ex officio – the Principal, the Deputy Principal 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 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 12 and 19.

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

The Board meets four times per year and, additionally, normally holds an annual off-site meeting to consider strategic issues. The Board has several committees, memberships of which are listed on page 48. All of these committees are formally constituted with terms of reference. Four of these committees are particularly important in ensuring that the Conservatoire meets its various governance commitments.

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

The **Remuneration Committee** is responsible for:

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

The membership comprises the Chairman and the two Vice-Chairmen of the Board of Governors, the Convenor of the Finance and General Purposes Committee and one other Independent Governor. The Committee is convened by one of the Vice-Chairmen.



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

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

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

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

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

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

The Conservatoire welcomes the publication of the Scottish Code of Good HE Governance (July 2013), which has been drafted under the auspices of the Committee of Scottish Chairs in consultation with a wide range of stakeholders. The Board of Governors is committed to demonstrating compliance with all of the Code's 18 Principles and will take appropriate account of its supporting guidelines in the development and application of Conservatoire governance systems, policies and processes.

Following an initial assessment of where the Conservatoire stood in relation to full compliance with the Code, the Board of Governors undertook the following actions:

- The Board's Statement of Primary Responsibilities was reviewed and refreshed.
- At the Board's request, Academic Board reviewed arrangements to protect academic freedom and confirmed them as robust and effective.
- The role specification for Independent Governors was reviewed and refreshed and placed in the public domain.
- A revised suite of strategic KPIs was agreed.
- The membership of the Nominations Committee was extended to include elected staff Governors and the President of the Students' Union, all of whom were involved in the appointment of a new Principal.
- The Remuneration Committee reviewed arrangements for the annual appraisal of the Principal.
- Under proposed changes to the Conservatoire's Statutory Instrument, student representation on the Board of Governors will increase from 1 member to 2 members.
- The Board approved a statement of the balance of skills, attributes and experience required for membership of the Board of Governors. That statement, which is in the public domain, will inform the recruitment of Independent Governors and the Board's Nominations Committee will use it as the basis for its annual report to the Board.
- The Board articulated its aims in terms of equality and diversity. Specifically in terms of gender, the Board will seek to achieve a minimum representation of 40% for either gender amongst Independent Governors by July 2019.
- The Conservatoire's Annual Report will now include details of training made available to Governors.
- The senior management team has been requested to review the level and quality of public engagement.
- The Remuneration Committee is now chaired by one of the Board's Vice Chairmen (having been chaired previously by the Chairman). The Remuneration Committee reviewed all of its policies and processes, following which they were approved by the Board on the basis of being compliant with the Code's principles.
- The Board's most recent effectiveness review (January 2014) took full account of the Code and the Conservatoire's Statement of Primary Responsibilities. Academic Board was asked to develop a methodology to review its effectiveness which, subject to Board approval, will be applied in session 2014/15.
- An improved Governance page was created on the Conservatoire's website, which includes (amongst other things):

- A current register of Governors' interests.
- An open invitation to interested individuals to express an interest in becoming an Independent Governor.
- Statement of Primary Responsibilities.
- Role Specification for Governors.
- Statement of Balance of Skills, Attributes and Experience required for membership of the Board.
- Statement in respect of the Board's commitment to equality and diversity.
- Minutes of Board meetings.

### ***Risk Control***

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

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

In summary, a suitable process for identifying, evaluating and managing the significant risks faced by the Conservatoire has been in place for the year under review and up to the date of approval of these financial statements. The process is regularly reviewed and accords with the guidance in the Accounts Direction for Scottish Higher Education Institutions 2013-14.

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

In October each year the Board of Governors receives an Annual Report, forwarded through the Audit Committee, which details changes in the control environment.


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

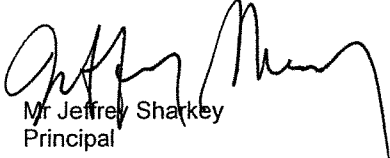
The Governors have considered the Annual report and Financial Statements as a whole and consider them to be fair, balanced and understandable and provides the information necessary for stakeholders to assess the Conservatoire's performance, business model and strategy.

### ***Going Concern***

As noted in the Annual Report, the Conservatoire has produced an operating surplus for the year under review 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.

Approved by the Governors on 31 October 2014 and signed on their behalf by

  
Lord Vallance of Tummel  
Chairman

  
Mr Jeffrey Sharkey  
Principal

## STATEMENT OF GOVERNORS RESPONSIBILITIES

In accordance with the Companies Act 2006 and the Financial Memorandum with the Scottish Funding Council, the Governors are responsible for the administration and management of the affairs of the Royal Conservatoire of Scotland, including ensuring an effective system of internal control, and are required to present audited 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 Accounts Direction issued by Scottish Funding Council, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions effective from 1 August 2007 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
- \* 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 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

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

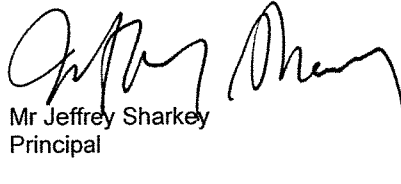
**Statement as to disclosure of information to auditors**

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. The Governors confirm that the auditors have not been engaged in any non-audit work during the year.

This report was approved by the Board of Governors on 31 October 2014 and signed on its behalf by:



Lord Vallance of Tummel  
Chairman



Mr Jeffrey Sharkey  
Principal

**Independent auditor's report to the Board of Governors of the Royal Conservatoire of Scotland**

We have audited the financial statements of the Royal Conservatoire of Scotland (the Conservatoire) for the year ended 31 July 2014 which comprise income and expenditure account, the statement of historical cost surpluses and deficits, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Conservatoire's Board of Governors, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and under Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Conservatoire's Board of Governors those matters we are required to state to 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 Conservatoire and the Conservatoire's Board of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Board of Governors and auditors**

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

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

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

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

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Conservatoire's affairs as at 31 July 2014, and of its incoming resources and application of resources, including its income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

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

**Opinion on other matters prescribed by the Scottish Funding Council's Financial Memorandum dated January 2006**

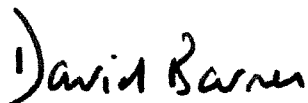
In our opinion, in all material respects:

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

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

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

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



David Barnes  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
Date: 11th November 2014

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

## Income and Expenditure Account for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
<b>INCOME</b>			
Funding body grants	2	10,334	10,166
Tuition fees and education contracts	3	6,122	5,519
Research grants and contracts	4	82	35
Other income	5	1,279	985
Endowment and investment income	6	325	113
<b>Total Income</b>		<u>18,142</u>	<u>16,818</u>
<b>EXPENDITURE</b>			
Staff costs*	7	12,827	11,785
Other operating expenses*	9	4,175	3,809
Depreciation	10	1,011	973
<b>Total Expenditure</b>		<u>18,013</u>	<u>16,567</u>
<b>Surplus on continuing operations retained within general reserves</b>		<u>129</u>	<u>251</u>

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

\*2013 comparatives have been reclassified as a result of internal changes in classification of certain expenditure.

## Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Surplus on continuing operations		<u>129</u>	<u>251</u>
Surplus for the year retained within general reserves	20	129	251
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	1	9
<b>Historical cost surplus for the year</b>		<u>130</u>	<u>260</u>

## Statement of Total Recognised Gains and Losses for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Surplus on continuing operations credited to revenue reserves	20	<u>129</u>	<u>251</u>
Pension reserve movement	27	(1,893)	2,331
Increase in valuation of investments	19	274	134
		<u>(1,490)</u>	<u>2,716</u>
Decrease in endowment and restricted funds	17	(3,929)	(668)
<b>Total recognised (losses)/gains relating to the year</b>		<u>(5,419)</u>	<u>2,048</u>
<b>Reconciliation</b>			
Opening reserves and endowments		12,136	10,088
Total recognised (losses)/gains relating to the year		(5,419)	2,048
<b>Closing reserves and endowments</b>		<u>6,717</u>	<u>12,136</u>




Balance Sheet as at 31 July 2014  
(Company Registration No.4703)

	Note	2014 £'000	2013 £'000
Tangible assets	10	35,482	31,603
Investments	11	1,741	1,744
<b>Total fixed assets</b>		<u>37,223</u>	<u>33,347</u>
<b>Pension (liability)/Asset</b>	27	(1,200)	597
<b>Endowment assets</b>	12	2,800	6,729
Debtors	13	782	1,609
Cash at bank and in hand		1,515	1,920
<b>Total current assets</b>		<u>2,297</u>	<u>3,529</u>
<b>Less: Creditors - amounts falling due within one year</b>	14	<u>(1,187)</u>	<u>(2,350)</u>
<b>Net current assets</b>		<u>1,110</u>	<u>1,179</u>
<b>Total assets less current liabilities</b>		39,933	41,852
<b>Less: Provisions for liabilities and charges</b>	15	<u>(616)</u>	<u>(597)</u>
<b>Net assets</b>		<u>39,317</u>	<u>41,255</u>
<b>Deferred capital grants</b>	16	32,592	29,111
<b>Endowment funds</b>	17		
Permanent		1,533	1,554
Expendable		1,267	5,175
		<u>2,800</u>	<u>6,729</u>
<b>Share capital</b>	18	8	8
Revaluation reserve	19	1,188	955
Capital reserve	20	505	505
Revenue reserves	20	3,424	3,350
<b>Reserves excluding pension reserve</b>		<u>5,117</u>	<u>4,810</u>
Pension reserve	20	(1,200)	597
<b>Total reserves</b>		<u>3,917</u>	<u>5,407</u>
<b>Total</b>		<u>39,317</u>	<u>41,255</u>

The accounts on pages 23 to 47 were approved by the Board of Governors on 31 October 2014 and were signed on its behalf on that date by:

  
Jeffrey Sharkey  
Designated Officer

  
Alan Smith  
Director of Finance and Estates

  
Lord Vallance of Tummel  
Chairman

## Cash Flow Statement for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Net cash inflow/(outflow) from operating activities	23	(4,325)	73
Returns on investments and servicing of finance	24	273	87
Capital expenditure and financial investment	25	(285)	(276)
<b>Decrease in cash in the year</b>	<b>26</b>	<b>(4,337)</b>	<b>(116)</b>

## Reconciliation of net cash flow to movement in net funds

	Note	2014 £'000	2013 £'000
Decrease in cash in the year and movement in net funds	26	(4,337)	(116)
Net funds at 1 August	26	7,462	7,578
Net funds at 31 July	26	3,125	7,462

**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 (2007) 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.

**2. Equipment**

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

Furniture, Fittings, Fixtures and Equipment	20% per annum
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**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 revalued as at July 2014. as assessed by Mr Adam Whone, an external professional valuation expert. There has been no diminution in the overall value of these instruments since the 2009 valuation. These stringed instruments were originally brought onto the balance sheet at valuation, there is therefore no historical cost associated with these assets.

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 has been carried out in July 2014 and will be carried out again in 2019.

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 revaluation 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 Strathclyde Pension Fund and Scottish Teachers Superannuation Scheme. 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 retirement.

## i Taxation Status

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

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

## j Operating Leases

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

## Notes to the Financial Statements (continued)

## 2 FUNDING BODY GRANTS

		2014	2013
	Note	£'000	£'000
SFC:			
Recurrent grant for teaching		9,421	9,232
Research development foundation		179	132
Research postgraduate grant		72	70
Specific initiative grants:			
Disabled student premium		52	52
SORSAS		-	7
Knowledge Exchange Innovations		10	20
Energy Efficiency		-	7
Knowledge Transfer Grant		81	73
Deferred capital grants released in year:			
Buildings	16	235	224
Equipment	16	284	349
		<u>10,334</u>	<u>10,166</u>

## 3 TUITION FEES AND EDUCATION CONTRACTS

Scotland and European Union(EU) students U/G		64	91
RUK students(old fee rates) U/G		145	244
RUK students(new fee rates) U/G		718	380
Scotland and European Union(EU) students P/G		489	473
RUK students P/G		219	279
Non -EU students		2,008	1,755
UK further education students *		1,422	1,304
Registration Fees		147	140
Total fees paid by or on behalf of individual students		<u>5,212</u>	<u>4,666</u>
Higher Education contracts		886	832
Other contracts		24	21
Total		<u>6,122</u>	<u>5,519</u>

\* relates to Short Courses and Youthworks programme

## Notes to the Financial Statements (continued)

## 4 RESEARCH GRANTS AND CONTRACTS

	Note	2014 £'000	2013 £'000
Miscellaneous research grants and contracts		<u>82</u>	<u>35</u>

## 5 OTHER INCOME

Income from front of house		334	237
Sundry income		177	136
PTHP Staff Leadership Project		10	-
European Funded Projects		29	25
RCS Works		61	46
Sponsorship and donations		216	112
JISC Transformations Programme		6	5
Gaelic Masters Project		1	7
ESRC Studentships		42	40
QAA Income		8	12
Rent received		-	17
Student residences *		-	10
Release of Opera School appeal donations	16	53	53
Release of Deferred Capital Grants (non SFC):			
Buildings	16	207	167
Equipment	16	51	23
Focus West project grant		64	54
Gain on sale of investments		<u>20</u>	<u>41</u>
		<u>1,279</u>	<u>985</u>

\* Student rents are no longer processed by the Conservatoire; instead students pay rents direct to the provider, Liberty Living.

## 6 INVESTMENT AND ENDOWMENT INCOME

Investment income		56	56
Bank interest		5	5
Pension Fund net interest		<u>212</u>	<u>26</u>
		273	87
Endowment Income		<u>52</u>	<u>26</u>
		<u>325</u>	<u>113</u>

## Notes to the Financial Statements (continued)

## 7 STAFF COSTS

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

	2014 Number	2013 Number
Senior Management	5	5
Teaching staff	162	156
Teaching support	27	25
Research grants and contracts	4	5
Other support services	16	16
Administration and central services	65	56
Premises	32	32
Other income generating activities	3	2
	<u>314</u>	<u>297</u>

Staff costs for the above persons:

	2014 £'000	2013 £'000
	<b>Note</b>	
Wages and salaries*	10,491	9,884
Social security costs*	710	688
Other pension costs*	27 1,425	1,080
Other staff costs	201	133
	<u>12,827</u>	<u>11,785</u>

Senior Management	497	504
Teaching staff	7,395	6,877
Teaching support	721	666
Research grants and contracts	257	215
Other support services	674	635
Administration and central services	2,328	1,980
Premises	901	862
Other income generating activities	54	46
	<u>12,827</u>	<u>11,785</u>

Governors' salaries(included therein)

Salaries(staff members)	326	305
Pension contributions	48	46
	<u>374</u>	<u>351</u>

The number of Governors accruing benefits under pension schemes during the year was 4 (2013:6)

\*2013 comparatives have been reclassified as a result of internal changes in classification of certain expenditure.



## 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:

	2014 £'000	2013 £'000
Salary	125	124
Pension contributions	19	18
	<u>144</u>	<u>142</u>
Accrued pension as at 31 July	20	18
Accrued lump sum as at 31 July	59	54

The pension contributions in respect of the outgoing 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 ranges:

	2014 Number	2013 Number
Nil	16	21
£1 - £10,000	1	-
£10,001 - £20,000	1	1
£40,001 - £50,000	2	2
£80,001 - £90,000	1	1
£120,001 - £130,000	1	1

The Deputy Principal serves on the Board of the Scottish Funding Council and received remuneration of £11,556 during the year.

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

	2014 Number	2013 Number
£40,001 - £50,000	1	-
£50,001 - £60,000	3	5
£60,001 - £70,000	2	-
£70,001 - £80,000	-	1

There are no other employees receiving remuneration in excess of £70,000, excluding pension contributions.

## 8 TRAVEL AND SUBSISTENCE

	2014 £'000	2013 £'000
Travel and subsistence - Board members	3	3
Staff	49	54
Hospitality - Board members	4	9
Staff	12	13
	<u>68</u>	<u>79</u>

## Notes to the Financial Statements (continued)

## 9 OTHER OPERATING EXPENSES

	2014	2013
	£'000	£'000
Teaching departments**	1,432	1,228
Contracted-out lecturing services	279	264
Teaching support services	96	78
Other support services	183	170
Administration and central services	787	660
General education	187	182
Premises costs	538	560
Repairs, renewals and maintenance	226	230
Other income generating activities	115	189
Residences *	-	11
Agency Staffing Costs	112	58
Other expenses**	220	179
	<u>4,175</u>	<u>3,809</u>

\* Student rents are no longer processed by the Conservatoire; instead students pay rents direct to the provider, Liberty Living.

\*\*2013 comparatives have been reclassified as a result of internal changes in classification of certain expenditure.

Other operating expenses include:		2014	2013
		£'000	£'000
Auditors' remuneration	External audit	15	15
	FFELP Contract	2	2
	Internal audit	16	24
Loss on disposal of assets		8	2

## Notes to the Financial Statements (continued)

## 10 TANGIBLE ASSETS

	Freehold Building £'000	Short Leasehold £'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 2013	28,302	5,698	1,933	4,394	903	208	41,438
Additions	-	-	4,176	402	-	221	4,799
Transfers	-	6,109	(6,109)	-	-	-	-
Disposals	-	-	-	(277)	-	-	(277)
Revaluations	-	-	-	-	27	-	27
At 31 July 2014	<u>28,302</u>	<u>11,807</u>	<u>-</u>	<u>4,519</u>	<u>930</u>	<u>429</u>	<u>45,987</u>
<i>Aggregate</i>							
<i>Depreciation</i>							
At 1 August 2013	5,869	568	-	3,176	90	132	9,835
Depreciation charge	283	241	-	471	1	15	1,011
Disposals	-	-	-	(270)	-	-	(270)
Revaluations	-	-	-	-	(71)	-	(71)
At 31 July 2014	<u>6,152</u>	<u>809</u>	<u>-</u>	<u>3,377</u>	<u>20</u>	<u>147</u>	<u>10,505</u>
<i>Net Book Value</i>							
NBV at 1 August 2013	<u>22,433</u>	<u>5,130</u>	<u>1,933</u>	<u>1,218</u>	<u>813</u>	<u>76</u>	<u>31,603</u>
NBV at 31 July 2014	<u>22,150</u>	<u>10,998</u>	<u>-</u>	<u>1,142</u>	<u>910</u>	<u>282</u>	<u>35,482</u>
<i>Financed by :</i>							
SFC capital grants and receipts	17,226	1,882	-	249	44	43	19,444
Other grants	4,502	8,291	-	223	22	-	13,038
Other	422	825	-	670	844	239	3,000
	<u>22,150</u>	<u>10,998</u>	<u>-</u>	<u>1,142</u>	<u>910</u>	<u>282</u>	<u>35,482</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 2014 £'000	Total 2013 £'000
Market value at 1 August	1,744	1,551
Additions	363	831
Disposals	(335)	(772)
(Decrease)/Increase in market value	(31)	134
Market value at 31 July	<u>1,741</u>	<u>1,744</u>

Listed investments	2014 Market Value £'000	2014 Cost £'000	2013 Market Value £'000	2013 Cost £'000
Fixed interest stocks*	559	550	747	718
Equities*	1,182	1,020	997	784
	<u>1,741</u>	<u>1,570</u>	<u>1,744</u>	<u>1,502</u>

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

\*2013 comparatives have been restated due to a reclassification of investment type.

## 12 ENDOWMENT ASSETS

	Prize Fund £'000	Piano Fund £'000	Capital Campaign £'000	Other £'000	2014 Total £'000	2013 Total £'000
Market value at 1 August	470	717	-	-	1,187	1,081
Additions	97	139	-	-	236	532
Disposals	(83)	(135)	-	-	(218)	(523)
Increase/(Decrease) in market value as at 31 July	(7)	(8)	-	-	(15)	97
Market value at 31 July	<u>477</u>	<u>713</u>	<u>-</u>	<u>-</u>	<u>1,190</u>	<u>1,187</u>
Cash and debtors (Note 26)	337	6	1,094	173	1,610	5,542
	<u>814</u>	<u>719</u>	<u>1,094</u>	<u>173</u>	<u>2,800</u>	<u>6,729</u>
Fixed interest stocks*	147	215	-	-	362	467
Equities*	330	498	-	-	828	720
Cash and debtors	337	6	1,094	173	1,610	5,542
	<u>814</u>	<u>719</u>	<u>1,094</u>	<u>173</u>	<u>2,800</u>	<u>6,729</u>

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

\*2013 comparatives have been restated due to a reclassification of investment type.

## Notes to the Financial Statements (continued)

## 13 DEBTORS

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade debtors	83	98
Debts due from students - net of provision for doubtful debts	31	53
Other debtors	71	44
Prepayments and accrued income	559	1,358
	<u>744</u>	<u>1,553</u>
Amounts falling due after one year:		
Other debtors	<u>38</u>	<u>56</u>

## 14 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	303	458
Other creditors	101	135
Accruals and deferred income	688	492
Deferred grant receipts	-	265
Scottish Government Instrument Fund - Amounts payable to recipients	95	1,000
	<u>1,187</u>	<u>2,350</u>

Deferred grant receipts refer to monies received from the Scottish Funding Council.

## 15 PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions £'000
Balance at 1 August 2013	597
Increase in provision	65
Paid/released	(46)
Balance at 31 July 2014	<u>616</u>

A valuation of the existing pension provision was carried out at 31 July 2014 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 2013					
Buildings	4,788	14,420	4,551	4,189	27,948
Equipment	758	-	-	405	1,163
<b>Total</b>	<b>5,546</b>	<b>14,420</b>	<b>4,551</b>	<b>4,594</b>	<b>29,111</b>
Received during the year					
Buildings	260	-	-	3,916	4,176
Equipment	5	-	-	130	135
Released to Income and Expenditure Account					
Buildings depreciation	(45)	(190)	(53)	(207)	(495)
Equipment depreciation	(284)	-	-	(51)	(335)
<b>Total</b>	<b>5,482</b>	<b>14,230</b>	<b>4,498</b>	<b>8,382</b>	<b>32,592</b>
Balance at 31 July 2014					
Buildings	5,003	14,230	4,498	7,898	31,629
Equipment	479	-	-	484	963
<b>Total</b>	<b>5,482</b>	<b>14,230</b>	<b>4,498</b>	<b>8,382</b>	<b>32,592</b>

## 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 2013	646	182	726	1,554
<i>Income</i>				
Funds introduced	4	(4)	-	-
Investment income	-	18	24	42
Gain on sale of investments	-	5	8	13
Decrease in value of investments	(7)	-	(8)	(15)
	<u>643</u>	<u>201</u>	<u>750</u>	<u>1,594</u>
<i>Expenditure</i>				
Prizes	-	(18)	-	(18)
Transfer to income and expenditure account to meet expenditure incurred	-	(8)	(24)	(32)
Management fees	-	(4)	(7)	(11)
Balance at 31 July 2014	<u>643</u>	<u>171</u>	<u>719</u>	<u>1,533</u>

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

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

## Notes to the Financial Statements (continued)

## 17 ENDOWMENT FUNDS - EXPENDABLE

	Cunningham Bequest £'000	Instrument Fund £'000	International Chair/Fellows Fund £'000	Capital Campaign Fund £'000	Total £'000
Balance at 1 August 2013	-	45	20	5,110	5,175
<i>Income</i>					
Funds/capital introduced	111	25	-	-	136
Investment income	-	-	-	30	30
	<u>111</u>	<u>70</u>	<u>20</u>	<u>5,140</u>	<u>5,341</u>
<i>Expenditure</i>					
Transfer to deferred capital grant	-	-	-	(4,046)	(4,046)
Transfer to income and expenditure account to meet expenditure incurred	(28)	-	-	-	(28)
Balance at 31 July 2014	<u>83</u>	<u>70</u>	<u>20</u>	<u>1,094</u>	<u>1,267</u>
Of which:					
Capital	-	-	-	893	893
Accumulated income	<u>83</u>	<u>70</u>	<u>20</u>	<u>201</u>	<u>374</u>
	<u>83</u>	<u>70</u>	<u>20</u>	<u>1,094</u>	<u>1,267</u>

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

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

The International Chair/Fellows Fund is a donation to fund an International Fellow over a period of 5 years to 2014-15.

The Capital Campaign Fund is a donation which is utilised to support the Conservatoire's estate development plans.



## Notes to the Financial Statements (continued)

## 18 SHARE CAPITAL

	2014 £	2013 £
<u>Authorised:</u>		
15,000 Ordinary Shares of £1 each	15,000	15,000
<u>Allotted, Issued and Fully Paid:</u>		
7,284 Ordinary Shares of £1 each	7,284	7,284
<u>Alloted and Issued</u>		
300 Ordinary Shares of £1 each	300	300
	<u>7,584</u>	<u>7,584</u>

## 19 REVALUATION RESERVE

	Investments £'000	Tangible Assets £'000	Total £'000
Balance at 1 August 2013	241	714	955
Transfer to general reserves in respect of loss on disposal of investments	(40)	-	(40)
Revaluation of Investments	(31)	-	(31)
Revaluation of Fixed assets	-	305	305
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	-	(1)	(1)
	-	-	-
Balance at 31 July 2014	<u>170</u>	<u>1,018</u>	<u>1,188</u>

## 20 GENERAL RESERVES

	Capital £'000	Revenue £'000	Pension £'000	Total £'000
Balance at 1 August 2013	505	3,350	597	4,452
Surplus for the year before transfers from revaluation reserve	-	129	-	129
Transfer from revaluation reserve	-	41	-	41
Pension reserve (Note 27)	-	-	(1,893)	(1,893)
Transfer between reserves	-	(96)	96	-
Balance at 31 July 2014	<u>505</u>	<u>3,424</u>	<u>(1,200)</u>	<u>2,729</u>

## Notes to the Financial Statements (continued)

## 21 LEASE OBLIGATIONS

	2014 £'000	2013 £'000
Annual operating lease commitments in respect of lease of premises expiring:		
Over five years	<u>729</u>	<u>657</u>
Annual operating lease commitments in respect of lease of musical instruments expiring:		
Within one year	<u>-</u>	<u>-</u>
Within two and five years inclusive	<u>172</u>	<u>114</u>
Over five years	<u>-</u>	<u>-</u>

## 22 CAPITAL COMMITMENTS

	2014 £'000	2013 £'000
Commitments contracted at 31 July	-	3,951
Authorised but not contracted at 31 July	-	-
Capital commitments authorised but not contracted in 2013 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

	2014 £'000	2013 £'000
Surplus before transfers	129	251
Pension costs less contributions payable	(96)	12
Loss on sale of assets	8	2
Gain on sale of investments	(33)	(77)
Decrease/(Increase) in value of investments	46	(231)
Depreciation charge (Note 10)	1,011	973
Transfer from deferred grant (Note 16)	(777)	(763)
Transfer from Opera School appeal donations (Note 5)	(53)	(53)
(Decrease)/Increase in creditors	(1,163)	1,107
Decrease/(Increase) in debtors	827	(501)
Net cash inflow from investments	(273)	(87)
Net decrease in endowment funds	(3,970)	(535)
Net transfers to/(from) provisions	19	(25)
Net cash inflow/(outflow) from operating activities	<u>(4,325)</u>	<u>73</u>

## Notes to the Financial Statements (continued)

## 24 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2014 £'000	2013 £'000
Investment income	56	56
Other interest received	5	5
Pension fund net interest	<u>212</u>	<u>26</u>
	<u>273</u>	<u>87</u>

## 25 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2014 £'000	2013 £'000
Capital grants and donations for capital initiatives	4,311	890
Additions to tangible fixed assets - excluding donated assets (Note 10)	(4,583)	(1,175)
Proceeds - sale of investments	586	1,372
Purchase of fixed asset investments (Note 11)	(363)	(831)
Purchase of endowment asset investments (Note 12)	<u>(236)</u>	<u>(532)</u>
	<u>(285)</u>	<u>(276)</u>

## 26 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2013 £'000	Cash Flows £'000	At 31 July 2014 £'000
Cash in hand and at bank	1,920	(405)	1,515
Endowment asset cash and debtors	<u>5,542</u>	<u>(3,932)</u>	<u>1,610</u>
	<u>7,462</u>	<u>(4,337)</u>	<u>3,125</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 :

	2014 £'000	2013 £'000
Contributions to STSS	566	403
Contributions to SPF	806	651
	<hr/> 1,372	<hr/> 1,054
Increase in pension provision	65	19
	<hr/> 1,437	<hr/> 1,073

The actual cost of contributions paid by the Conservatoire during the year for the SPF was £690,000. Contributions for 2015 are estimated to be £726,000

There were no outstanding contributions payable at 31 July 2014.

**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 four years in accordance with the advice of the Government Actuary. The assumptions and other data at 31 March 2005 (the last published valuation) 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 £24,000M at 31 March 2013 on the basis of the following assumptions

Rate of return(discount rate)	4.10%
Rate of return in excess of:	
Earning increases:	0.15%
Price increases	2.35%

## Notes to the Financial Statements (continued)

## 27 PENSION COMMITMENTS(continued)

The employer contribution rate for the period from 1 August 2013 to 31 July 2014 was 14.9% of pay. The employee contribution rate from 1 August 2013 to 31 July 2014 was a variable rate depending on the level of salary ranging from 7.9% to 11.2%. 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 2013 to 31 July 2014 was 19.3% of pay. The employee contribution rate for the period from 1 August 2013 to 31 July 2014 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 2014.

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**

	2014	2013
	%	%
Pension increase	2.7	2.8
Salary increase rate	5.0	5.1
Expected return on assets	6.0	5.8
Discount rate	4.0	4.6

**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:

	2014		2013		
	Long term rate of return %	Value £'000	Long term rate of return %	Value £'000	
Equities	6.6	12,636	6.4	11,343	
Bonds	3.5	1,995	3.8	2,090	
Property	4.7	1,164	4.6	1,045	
Cash	3.6	831	3.4	448	
		<u>16,626</u>		<u>14,926</u>	
	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of plan assets	16,626	14,926	11,868	10,492	9,019
Present value of funded defined benefit obligations	(17,826)	(14,329)	(13,590)	(10,063)	(9,254)
Net asset/(liability)	<u>(1,200)</u>	<u>597</u>	<u>(1,722)</u>	<u>429</u>	<u>(235)</u>

## Notes to the Financial Statements (continued)

## 27 PENSION COMMITMENTS(continued)

<b>Movements in fair value of plan assets</b>	2013 - 2014 £'000	2012 - 2013 £'000
At 1 August	14,926	11,868
Expected return on plan assets	890	597
Actuarial losses	77	1,817
Contributions by the employer	690	613
Contributions by members	232	208
Benefits paid	(189)	(177)
At 31 July	<u>16,626</u>	<u>14,926</u>
<b>Movements in present value of defined benefit obligations</b>	2013 - 2014 £'000	2012 - 2013 £'000
At 1 August	14,329	13,590
Current service cost	806	651
Interest cost	678	571
Actuarial (gains)/losses	1,970	(514)
Contributions by members	232	208
Benefits paid	(189)	(177)
At 31 July	<u>17,826</u>	<u>14,329</u>
<b>Expense recognised in the income and expenditure account</b>	2014 £'000	2013 £'000
Current service cost	<u>806</u>	<u>651</u>
Total operating charge	806	651
Expected return pension scheme assets	(890)	(597)
Interest cost	<u>678</u>	<u>571</u>
Total net finance return	(212)	(26)
Total pension cost recognised in the income and expenditure account	<u>594</u>	<u>625</u>

## Notes to the Financial Statements (continued)

## 27 PENSION COMMITMENTS(continued)

	2014 £'000	2013 £'000
Statement of total recognised gains and losses		
Actuarial gain/(loss) in present value of defined benefit obligations	(1,970)	514
Actuarial gain in fair value of plan assets	77	1,817
	<u>(1,893)</u>	<u>2,331</u>
Cumulative actuarial losses	<u>(3,141)</u>	<u>(1,248)</u>

The history of the plan assets/(liabilities) for the current period is as follows:

	2014 £'000	2013 £'000
Balance sheet		
Present value of scheme liabilities	(17,826)	(14,329)
Fair value of scheme assets	16,626	14,926
Net (Liability)/asset	<u>(1,200)</u>	<u>597</u>

## 28 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 July 2014 (2013: 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.

The Board member and the significant related party transactions with their associated organisations during the year to 31 July 2014 are detailed below:

Member	Organisation	Relationship	Nature of Transaction	Value of Transaction
Cindy Sughrue	Scottish Ballet	Board Member	Recharge to Scottish Ballet for a joint project	£2,340
Gavin Reid	BBC	Board Member	Contribution to BBC for a joint project	£41,362
Sandy Crombie	Creative Scotland	Board Member	Grant received	£5,060

## 30 DISCRETIONARY AND CHILDCARE FUNDS

	Childcare £'000	Discretionary £'000	Total £'000
Balance unspent at 1 August 2013	19	(2)	17
Allocation Received in year	11	43	54
Expenditure	(6)	(31)	(37)
Repaid as claw back	(19)	2	(17)
Balance unspent at 31 July 2014	<u>5</u>	<u>12</u>	<u>17</u>
Repayable as claw back	5	12	17
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.

## Royal Conservatoire of Scotland

### COMMITTEE MEMBERSHIPS

Members of main committees reporting to the Board of Governors served during the whole of the year to 31 July 2014 unless otherwise stated.

#### **Academic Board**

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

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

Donald MacRae (Convenor)  
Chairman of the Board  
Principal  
Joyce Goodwin  
Mark Leishman (from 25 October 2013)  
Eileen Mackay  
James Miller (to 25 October 2013)  
Gavin Reid

#### **Audit**

John Hylands (Convenor)  
Eileen Mackay  
Norman Sharp  
Agnes Robson (from 21 March 2014)

#### **Buildings**

Steve Inch (Convenor)  
Thomas Gilchrist (to 16 May 2014)  
Gavin Reid  
James Miller (to 25 October 2013)  
Chair of the Board  
Donald MacRae  
Principal

#### **Nominations**

Chair of the Board (Convenor)  
Principal  
Sandy Crombie  
Eileen Mackay  
Academic support staff representative  
Academic staff representative  
Student Union President  
Brian McMaster (to 18 February 2014)  
Cindy Sughrue (from 12 March 2014)

#### **Health and Safety**

Cindy Sughrue (Convenor)  
Deputy Principal  
Director of Finance and Estates  
Director of Human Resources  
Dean of Music  
Dean of DDPS  
President of the Students' Union  
Academic Staff Representative  
Academic Support staff representative  
Trade union representative  
Health and Safety Adviser  
Carol Main (from 25 April 2014)

#### **Remuneration**

Chairman of the Board  
Sandy Crombie (Convenor)  
Eileen Mackay (Convenor)  
James Miller (to 25 October 2013)  
Donald MacRae  
Agnes Robson (from June 2013)

#### **Risk Management Group**

Director of Finance & Estates (Convenor)  
Dean – School of Music  
Dean – School of DDPS  
Director of Human Resources  
Conservatoire Secretary  
Principal  
Deputy Principal



**Royal Conservatoire of Scotland**

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