



Royal Conservatoire  
*of* Scotland

**A Company Limited by Guarantee**

**Annual Report**

**And**

**Financial Statements**

**For the Year Ended 31 July 2017**

**Company Registration No.SC04703**



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## OFFICE BEARERS

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

## CHAIRMAN'S FOREWORD

The Royal Conservatoire of Scotland (RCS) is a unique national institution and the only place in Europe that offers programmes across all genres of the performing arts, from pre-higher education through to doctoral level. We offer a ground-breaking and widely-acclaimed curriculum which actively encourages trans-disciplinary collaboration as well as disciplinary excellence.

I am delighted that the Conservatoire's special qualities and unique educational experience it has to offer continue to be internationally recognised and valued. It is a matter of great celebration for Scotland that its national conservatoire is positioned at number three in the world for performing arts education in the 2017 QS World Rankings, as well as being in the top 3 for graduate employability, endorsing our status as a national and international centre of excellence for impactful learning and teaching.

As we mark the 170th anniversary of our founding, RCS continues to be focused on developing our students as the engaged, creative and highly-employable artistic community of tomorrow for Scotland and the world. We remain committed to attracting and nurturing the best Scottish and international creative talent, as well as to breaking down barriers and challenging boundaries. We work hard to develop strong existing and innovative new creative partnerships at local, national and international level to advance the experience and knowledge of our students. In doing so we work with a wide and active range of professional and strategic partners including the BBC, all of Scotland's national performing arts companies, Gleneagles, Dumfries House and Shakespeare's Globe and in partnership with a number of leading international conservatoires identified in the strategic report.

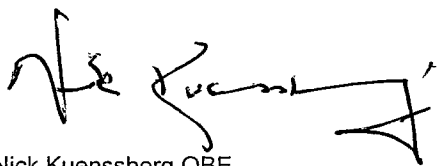
The RCS is committed to widening access and has launched a series of arts hubs throughout Scotland to widen its reach. The first Royal Conservatoire arts hub, based at Dumfries House in Ayrshire, has seen the creation of Junior Conservatoire music and dance classes for local young people as well as the development of a programme of concerts and performances showcasing a variety of musical forms with plans to include other art forms such as ballet, musical theatre, drama and contemporary performance, reflecting the diversity of work offered at the Royal Conservatoire. A second arts hub, in Fraserburgh, has been recently launched. The RCS is also the first institution to offer a performance degree taught in British Sign Language.

We have an undergraduate and post-graduate student body of around 1,200 and more than 1,000 tutors, lecturers, artists, technicians and support staff supplemented by an array of the highest quality visiting artists. RCS also teaches over 3,000 part-time learners every year through its Junior Conservatoire and lifelong learning departments.

Providing our learners with the facilities to develop their full potential continues to be a priority and we have this year completed purpose-built learning and teaching facilities; the Creative Campus. This £2 million project is a unique complex of 27 individual practice rooms and two larger ensemble rooms.

I am indebted to the Principal, Professor Jeffrey Sharkey, his staff and the excellent team that is the Board of Governors all of whom bring such tremendous insight and experience to work to the benefit of this institution and the important mission it fulfils for Scotland. I would also like to thank the RCS Trusts for their continued valuable support. In closing it is with the greatest respect and warmest thanks from all associated with the Royal Conservatoire of Scotland that I pay tribute to my predecessor as Chair, Lord Vallance, for a decade of great leadership and stewardship of a world-leading and purposeful Scottish institution.

We are incredibly proud of the impact our students and alumni have on the world. They are on the screens, stages, in theatres and concert halls all over the globe, they are back stage, they are playing, singing, composing, dancing and educating the next generation of artists. In times of uncertainty, change and challenge we continue to focus on delivering on our commitments to Scotland and the important role we play in nurturing the next generation of world-class performing arts professionals and active citizens for Scotland and for the world.



Nick Kuenssberg OBE  
Chairman

## REPORT OF THE GOVERNORS

The Governors present their report together with the financial statements for the year ended 31 July 2017.

### *Constitution*

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

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

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

### *Corporate Structure*

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

### *Principal activity*

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

The Conservatoire's vision is to:

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

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

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

## STRATEGIC REPORT

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

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

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

### Driving focused excellence

The review of the undergraduate curriculum is underway with review events scheduled to occur early in 2018 with the revised programmes commencing in academic year 2018-19. The headline themes of the review are: pedagogy, equality & diversity, assessment and feedback, choice and introduction to collaborative practice and identifying efficiencies in the cost of delivery.

The Conservatoire's overall satisfaction scoring in the National Student Survey was 88% (2016: 83%). The results are being analysed systematically to identify areas where further enhancements can be made. Student feedback is gathered in various ways including via programme committees and through annual dialogue meetings.

Professor Timothy Dean stepped down after 23 years as Head of Opera and the Conservatoire welcomed Philip White to this important role. A new role of Widening Access Manager was established to strengthen recruitment and links between the pre-HE activities and undergraduate programmes.

Success in international competitions continue to provide an important benchmark of the quality of the institution's students and teachers. Congratulations are due to alumna Catriona Morison who won the prestigious Cardiff Singer of the World; alumnus Fergus McCreadie who won the Peter Whittingham Jazz Award and alumnus Daniel Ciobanu who won the audience prize in the Rubenstein International Piano competition in Tel Aviv.

The first phase of a new student/staff portal has been introduced, which has allowed the creation of a central point of information, integrated with other systems in order to display relevant and personalised information to the RCS community. In particular, the portal benefits include: a one-stop-shop for all the information and documentation for day-to-day curricular and operational needs; an accessible and mobile-friendly platform with responsive design; collaborative tools for group assignments, activities and social learning; and the ability to keep digital portfolios after graduation to document learning journey. A new library management system has also been introduced. This web-based open source system and on-line catalogue is a major step forward in enhancing access to library resources.

A £2M re-development of part of the Renfrew Street campus was completed in December 2016 and resulted in the conversion of two large rehearsal spaces into 2 studios and 27 one-to-one practice and teaching rooms to cater for the growing number of music students. Ancillary to this development, space is now leased within the Whisky Bond in Glasgow to house and display the Conservatoire's archives. There has been a significant increase in activity in the new and expanded facility.

### Promoting Equality and Diversity

The Conservatoire is developing its Fair Access Plan which will set out a vision for fair access across RCS for the next four years. The plan is influenced by a range of national policies and priorities, but specifically offers the RCS response to the recommendations made in the Commission for Widening Access final report '*A Blueprint for Fairness*'.

A Fair Access Committee, which reports to the Board, has been established comprising of lay governors, external representatives, staff and students to:

- Raise awareness of the importance of widening access and inclusivity in all of its aspects throughout the Conservatoire community and, in particular, to stimulate discussion of related issues at the Board
- Assist in advocating the Conservatoire's approach and commitment to the promotion of access and inclusivity to a range of stakeholders, including Scottish Government
- Help promote an ethos of equality and inclusivity throughout the Conservatoire.

Two new programmes at junior level in contemporary performance practice and contemporary dance were launched in Glasgow in autumn 2016.

The Conservatoire was pleased that the Scottish Funding Council announced that funding for the Conservatoire's Transitions programme would be extended for a further three years. That programme, which is the Conservatoire's unique contribution to the promotion of fair access, has proven to be most effective in promoting progression to the Conservatoire's undergraduate programmes for those from designated areas of multiple deprivation.



The first cohort of the BA Performance in British Sign Language and English completed their second year which included a workshops roadshow taking the work of the programme around Scotland and recruitment efforts have already commenced to take in a second cohort in 2018.

The Equality and Diversity Forum continues to administer a budget to encourage a range of innovative and impactful events, this year including "Radiant and Brighter", a programme of choral practice for refugees and asylum seekers new to Scotland, culminating in a public performance and the curation of an exhibition showcasing the work of the UK's foremost Asian theatre company.

The Conservatoire was pleased to host the Equality Challenge Unit national meeting, co-host a conference on widening access with the Glasgow School of Art and also hosted a symposium on student mental health, an outcome of which was the dissemination of findings from an RCS mental health research project to a wider constituency including other HEIs in Scotland and other UK Conservatoires. The Conservatoire also hosted the Forum for Access and Continuing Education (FACE) international conference in June 2017.

#### Advancing Life Long Learning

A re-structure of pre-HE activity to delineate Junior Conservatoire from Life Long Learning has been completed. Incorporating a curriculum review, this has created clear progression pathways across the disciplines that engage people of all ages and stages in the arts, identify potential and help widen the pool of applicants from marginalised backgrounds wishing to progress to study at undergraduate level at the Conservatoire. Growth in applications for this vital part of the Conservatoire's activities is encouraging.

A new records and reporting system for pre-HE students is being implemented which will improve tracking of students through and beyond higher education.

The MEd programme continued to expand with the intake of a second cohort of students on 4 pathways covering all of the performing arts disciplines.

A 'Teach On' programme for strings teachers was launched as part of the 2017 Summer School and funding has been secured from Scottish Government to develop teacher CPD provision in performing/expressive arts subjects with the launch planned for early 2018.

RCS @Dumfries House in East Ayrshire was launched in the autumn of 2016 with programmes at pre-junior level in classical strings and in dance, from January 2017 and a pre-juniors dance programme has been developed and will be launched in partnership with Dance Base in Edinburgh from September 2017.

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

The International Society of Music Education conference was hosted in summer 2016. With 2,000 delegates and 1,000 performers from 63 countries it provided an excellent showcase for the Conservatoire and the opportunity to raise the institutional profile.

The membership of the International Advisory Board has expanded and it is beginning to undertake valuable work to raise awareness and support for the Conservatoire in North America.

For the first time a musical theatre production was taken to the Edinburgh Festival Theatre with 'Chess' playing to good audiences and with excellent reviews.

The Conservatoire continues to engage with the Erasmus Scheme - notably with the Liszt Academy of Music in Budapest and the Conservatory of the Hague. An Erasmus+ project is underway with the Rachmaninov State Conservatory in Rostov which involves a number of staff and student exchanges between the institutions. In addition Junior Conservatoire of Music students were invited to participate the Spivakov International Foundation festival in Moscow.

In Research and Knowledge Exchange the current good standing of the Conservatoire's research was again indicated by the excellent result for the QS World Rankings for Performing Arts, published in April 2017 with the Conservatoire ranked 3rd; perceptions of research excellence among academics internationally are the main driver for this ranking (weighted 90%, with employer perceptions making up the remaining 10%). Although this ranking is known for its volatility, it is gratifying to see that the Conservatoire's place in the ranking has remained high. Three new roles have been created from uplifts to the Research Excellence Grant and the Universities Innovation Fund. Following a period of 'early-adopter' use and data entry, the PURE research management information system will be launched in September 2017. This system and its associated portal allows the public to discover the professional activity of staff, including their research and knowledge exchange activities, and explore their personal networks, while also providing detailed management reporting.

New partnerships and memoranda of understanding entered into during the year included: an exchange with Ballet Divertisimo in Montreal; a co-production with Western Australia Screen Academy; a musical theatre co-production at the Edinburgh Fringe with Northwestern University, Illinois; a semester abroad programme with Muhlenberg College,

Pennsylvania; pre-junior and junior programmes in dance in Edinburgh through a new partnership with Dance Base: Scotland's National Centre for Dance.

The Conservatoire marked its 170<sup>th</sup> anniversary in 2017 in various ways including a gala performance of *Die Fledermaus* and the launch of an RCS tartan.

### Outcome Agreements

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

The Conservatoire engages positively with the Outcome Agreement process and particularly welcomes the opportunity which it presents to enhance the SFC's understanding of the specific needs and aspirations of the Conservatoire, which is unique in the context of Scottish higher education. The Conservatoire welcomed the SFC's decision to protect the continued growth of undergraduate funded places in music within the context of an overall cut to the HE budget and also to receive confirmation that funding for Transitions would be extended for a further three years from 2017-18, which will allow the early successes of the programme to be developed.

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

The Conservatoire's 2016-17 Outcome Agreement and associated progress report can be found at

[https://www.rcs.ac.uk/about\\_us/aboutus/strategy-annual-accounts/](https://www.rcs.ac.uk/about_us/aboutus/strategy-annual-accounts/)

### **Future prospects**

#### Academic developments

The review of the undergraduate programmes was deferred by one year with this now scheduled for spring 2018. The academic year will be reverting from three trimesters to a four-term structure commencing with a lead-in during 2017-18. This more accurately reflects the rhythm of the year and allows for better alignment of the delivery of modules and assessments which will improve the experience of both students and staff. Another key benefit of this change stems from moving Bridge Week to the final week of the undergraduate year to become Bridge and Transitions week. This will enable more students to engage creatively with unassessed and entirely student-led activities.

The Conservatoire is preparing for the quadrennial Enhancement-Led Institutional Review, which will occur between April and June 2018. The Conservatoire has appointed an Assistant Principal to strengthen senior academic staff resource, particularly in the areas of quality enhancement and curricular development.

The BEd in Music programme, which has been run jointly with the University of Glasgow for many years, is being brought in-house from academic year 2017-18. BEd students will benefit from a more immersive experience in the Conservatoire environment. The Conservatoire will also take over from the University of Glasgow as lead on the postgraduate Historically Informed Performance Practice programme.

International Foundation certificates in Music and English and Dance and English have been approved and will be launched in 2018-19. Over time these programmes will assist with international recruitment.

The Conservatoire will host a conference in partnership with Celtic Connections and Glasgow: UNESCO City of Music.

An Initial Teacher Education programme in dance accredited by the GTCS will commence in 2017-18.

The Conservatoire will become the first HEI in Scotland to house a Confucius Classroom, which will provide a resource for junior students to engage with Chinese language and culture.

A North East Arts hub based in Fraserburgh will launch in autumn 2017 with activities ranging from junior traditional music to film-making and provision of CPD for local arts practitioners. Hubs at other locations around Scotland to widen access to a high quality arts education are being planned.

At Junior Conservatoire and pre-HE level it is proposed that foundation programmes at SCQF level 6 are introduced across all of the art forms to bridge the gap between school and conservatoire level training and improve transition to undergraduate study.

#### Estates

A Space Utilisation Study was commissioned to review current accommodation in terms of its ability to support the current provision and student population and to identify opportunities to increase efficiency of use and fit with user requirements. Future space requirements to house potential future growth and activity are being evaluated in the context of wider

economic and political changes.

The Conservatoire entered an Agreement for Lease of student accommodation from September 2019 within a new development which is to be built on a site close to the main building. This will be a high quality development which will also provide additional amenities from which our students will benefit.

#### Access and employment of disabled persons

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

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

#### Health, Safety and Child Protection

The Conservatoire had developed its policies and procedures for health, well-being and child protection with support from the NSPCC. Mental Health first aid training has been provided for key staff and for representatives of the Students' Union and mental health awareness training is available on-line for all staff. The Conservatoire has been awarded a Bronze Award from NHS Scotland Healthy Working Lives and is working towards a Silver Award. The Conservatoire has also re-engaged with the Healthy Conservatoires' network and this year hosted a symposium on student mental health within the Conservatoire sector.

### **Financial Results**

#### Financial Summary

##### Conservatoire Results

	2017 £'000	2016 £'000
Income	22,339	20,622
Expenditure	<u>21,649</u>	<u>20,714</u>
Surplus/(deficit) before other gains and losses	690	(92)
Loss on disposal of fixed assets	(7)	(10)
Realised gain/(loss) on investments	<u>53</u>	<u>(26)</u>
Surplus/(deficit) before unrealised gains and losses	736	(128)
Unrealised gain on investments	<u>198</u>	<u>77</u>
Surplus/(deficit) for the year	<u>934</u>	<u>(51)</u>
Capital expenditure	<u>2,172</u>	<u>442</u>
Cash and cash equivalents	<u>2,970</u>	<u>1,807</u>
Net current assets	<u>3,197</u>	<u>1,820</u>
Pension asset/(liability)	<u>921</u>	<u>(1,304)</u>

The surplus for the year before unrealised gains and losses is £736,000 (2016: a deficit of £128,000). This improved result is due to a number of factors including: an increase in income from donations, theatre tax relief, realised investment gains, expenditure savings across several departments and a positive movement in the holiday pay provision. A number of items which have enhanced the overall result are exceptional; in particular a restricted donation of £230K, investment performance and movement in provisions. These cannot be expected to recur on a regular basis.

The position relating to the Conservatoire's involvement in Strathclyde Pension Fund is a net pension asset at 31 July 2017 of £921,000 (2016: a deficit of £1,304,000). The reduction in the deficit for the year is due to a combination of improved market conditions and revised actuarial assumptions relating to future inflation, salary growth and discount rates. Accounting policy 1i and note 23 to the accounts disclose details of the treatment of pension assets/liabilities in the financial statements.

Cash on hand including short term investments at 31 July 2017 was £4,296,000 (2016: £3,093,000).

Group Results

The Group results including the financial results of wholly owned subsidiary ISME 2016 Ltd are Income of £22,726,000, Expenditure of £22,039,000 resulting in an overall surplus for the year of £931,000. The Group net current assets are £3,194,000 and cash in hand is £4,358,000.

Summary of Investment Performance

The Conservatoire's investments are managed on a discretionary basis by a professional fund manager on behalf of the Board of Governors and monitored by the Finance and General Purposes Committee. The total return across the managed portfolio for the year was as follows:

Portfolio	Benchmark	Total Return	Over/(Under) Performance
	%	%	%
General Fund	10.6	11.3	0.7
Prize Fund	10.5	13.1	2.6
Piano Fund	10.5	13.2	2.7

**Risks and Uncertainties**Strategic Risks

The Conservatoire has identified key risks associated with the achievement of the strategic plan within the following areas:

- Compliance and adherence to statute, regulations and professional standards
- Development of teaching, learning and research
- International development and growth
- Student experience
- Reputation
- Financial stability and flexibility
- People and culture
- Major events and projects

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

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

Meeting growth targets for student recruitment

Strategic and operational student recruitment groups are now fully operational and have been overseeing the establishment of relationships with international institutions, sending more academic staff on recruitment tours and expanding the network of agents. It is expected that the establishment of a Foundation Certificate in Music and Dance and English will create a new pathway for applicants to undergraduate programmes who might previously have been unsuccessful. Through fundraising efforts the total sum of scholarship support for students continues to rise year on year and the International Advisory Board has begun building links to increase the effectiveness of the Conservatoire's student recruitment and fundraising activities in North America.

The Transitions programme and involvement with the Widening Access to the Creative Industries initiative increasingly assists the Conservatoire to meet its SIMD 20/40 targets and are increasingly focusing their efforts on engaging with the SIMD 20 constituency.

Maintaining Financial Sustainability

The Board aims to budget for operating surpluses which take into account fully the additional charges which arise under FRS 102. This has required both an increase in student recruitment targets and budget savings to be found across departments for 2017-18. Further revenue support from the RCS Endowment Trust has also been secured.

The Board established an Income Generation Group to identify and prioritise prospects to generate additional income. This included the continued pursuit of the case with Scottish Government and SFC for enhanced funding support, particularly in the context of the recent substantial review of SSI funding in England, widening the fundraising base across stakeholder groups, developing more corporate partnerships, introducing programmes that would have a focused appeal to the international market and taking advantage of the Conservatoire's eligibility to claim theatre and orchestral tax relief.

### Management capacity to deliver strategic objectives

The Conservatoire has last year appointed a Head of Junior Conservatoire, recently appointed a Widening Access Manager and has appointed an Assistant Principal who will start in January 2018. These are all important roles in supporting the delivery of the strategic plan. Key project plans detail individual responsibilities and there is regular review of progress towards achieving objectives.

### Brexit

The implications of Brexit are seen as a significant risk currently facing the Conservatoire, both in terms of the envisaged directly negative impact on student recruitment from EU countries and the destabilizing effect that might have on other student markets – particularly in music. There is still much uncertainty around both the timeframe and the detail of changes to future fee status. A number of scenarios are being modelled that will inform decision-making when the situation becomes clearer.

### Changes to Scottish and UK HE Policy

With increased emphasis on increasing student enrolments from marginalised backgrounds, the Conservatoire is focusing recruitment efforts in its pre-HE access programmes on these constituencies – SIMD20, black and minority ethnic and care experienced - to improve chances over time of achieving a higher rate of conversions at undergraduate level.

Together with Glasgow School of Art and the Scottish Funding Council, the Conservatoire is reviewing the definition of a Small Specialist Institution within the context of the cultural and economic landscape. At the same time representations continue to be made to Government on the detrimental impact on the national conservatoire of the widening funding gap with conservatoires in England.

The publication of the Stern review on the Research Excellence Framework (REF), and the HEFCE consultation that followed it, present considerable risks for the Conservatoire in the next round of REF (submission expected to be 2020). These risks centre around proposals for staff inclusion, and detailed mitigation is currently being planned by senior managers across the Schools and with Human Resources. Nonetheless, with the publication of the final Guidance on Submission (essentially, the rulebook for REF) not due until early 2019, these mitigations must be speculative – and given the role of perceptions of research excellence in the Conservatoire's wider reputation requires, the risks will need sustained and careful monitoring.

## 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.

	2016-17	2015-16
<b>Income growth and diversity</b>		
Surplus/(Deficit) before other unrealised gains and losses as a percentage of turnover	3.3%	(0.6)%
Surplus/(Deficit) before other unrealised gains and losses	£736K	(£128K)
Group Surplus before other unrealised gains and losses	£733K	(£128K)
Financial forecast operating surplus (based on FRS 102)		
2017-18	£121K	£45K
2018-19	£(17)K	£(8)K
2019-20	£(268)K	N/A
Percentage of funding		
SFC	52%	55%
Undergraduate and postgraduate tuition fees	30%	30%
Junior Conservatoire and Short course tuition fees	10%	9%
Box Office and letting	2%	2%
Donations and other income	6%	4%
<b>Infrastructure</b>		
Capital Investment as % of insurance value	1%	1%
Building condition		
Category A – as new	61%	65%
Category B- completely fit for purpose	35%	34%
Category C – in need of improvement	4%	1%
<b>UG and PG Applicant demand, student achievement and satisfaction</b>		
Applicants:		
Scottish	1,391	1,357
EU	617	483
RUK	1,291	1,172
International	759	566
Total	4,058	3,578
Students:	No %	No %
Scottish	592 52	556 52
EU	143 12	126 12
RUK	233 20	229 21
International	177 16	155 15
Total	1,145 100	1,066 100
Applications: offers : acceptances	8.8: 1.6: 1	6 : 1.5 : 1
Percentage of applicants with a declared disability	14%	10%
Percentage of undergraduate and postgraduate students with a declared disability	36%	28%
Scots undergraduate applicants from SIMD 20/40 as percentage of total Scots applicants	25%	22%
Scots undergraduate entrants from SIMD 20/40 as percentage of total Scots entrants	28%	32%
Scots undergraduates from SIMD 20/40 as percentage of total Scots undergraduates	28%	17%
Ratio of undergraduate to postgraduate students	2.7 : 1	3 : 1

	2016-17	2015-16
Student Achievement Rate <sup>1</sup>	94%	93%
Course Completion Rate <sup>2</sup>	84%	85%
<b>External engagement</b>		
National Student Survey overall satisfaction rating	88%	83%
HESA Destination of leavers percentage in work or further study	94%	95%
Number of internally generated student performances	437	444
Audience number	54,954	54,457
Audience number as a percentage of capacity	62%	63%

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

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

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

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

**Primary Responsibilities**

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

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

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

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

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

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

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

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

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

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

To safeguard the good name and values of the Conservatoire.

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

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

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

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

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

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

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

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



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

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

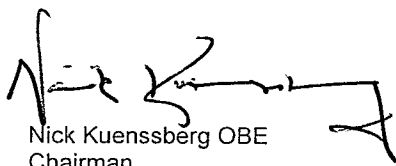
#### Reserved Powers

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

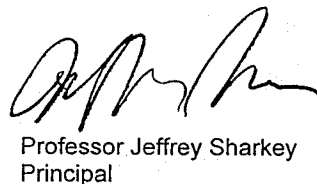
#### Payment of creditors

It is the Conservatoire's policy to obtain the best terms for all goods and services. There is thus no single policy as to the terms used. In agreements negotiated with suppliers, the Conservatoire endeavours to include and abide by specific payment terms. The creditors' balance at 31 July 2017 represented 5% of total purchases for the year, equivalent to 17 creditor days. No interest was paid in terms of the Late Payments of Commercial Debts (Interest) Act 1998.

APPROVED BY THE GOVERNORS ON 27 OCTOBER 2017 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg OBE  
Chairman



Professor Jeffrey Sharkey  
Principal

## GOVERNORS' REPORT

*Honorary doctorates of the Royal Conservatoire of Scotland*

The following received honorary doctorates during the academic session 2016-17:

Doctor of Dance

Darcey Bussell CBE

Doctor of Drama

Professor Mícheál Ó Súilleabháin

Doctor of Music

Dame Evelyn Glennie

**Governors**

The Governors set out in the table below have held office during the whole of the period from 1 August 2016 to the date of this report unless otherwise noted.

*Lay Governors*

Nick Kuenssberg OBE (Chairman) (from 7 December 2016)  
 Lord Vallance of Tummel (Chairman) (retired 7 December 2016)  
 Mrs Fiona Ballantyne OBE  
 Dr Anne Lorne Gillies (appointed 30 March 2017)  
 Mr John Hylands (Vice Chairman and Senior Lay Governor)  
 Dr Paul Jourdan (retired 28 October 2016)  
 Ms Tari Lang  
 Mr Mark Leishman CVO  
 Dr Shonaig Macpherson CBE (resigned 28 September 2017)  
 Professor Donald Macrae OBE  
 Ms Sharon Mair (appointed 30 March 2017)  
 Sir Jonathan Mills (appointed 30 March 2017)  
 Mr Ed Monaghan  
 Mr Mark Paris  
 Mr Gavin Reid  
 Professor Norman Gillies OBE  
 Ms Carol Main MBE  
 Professor Norman Sharp OBE  
 Mrs Agnes Robson  
 Ms María Taylor  
 Ms Colleen Toomey (appointed 30 March 2017)

*Governors ex officio*

The Principal:  
 Professor Jeffrey Sharkey

The President, Students' Union:  
 Mr Will Stringer

The Vice President, Students' Union  
 Mr Aiden Teplitzky (from 27 October 2017)  
 Ms Victoria Chen (to 30 June 2017)

*Nominated by Academic Board*  
 Ms Jean Sangster

*Staff Governors-elected*

Ms Catherine Jackson (Support Staff)  
 Dr Laura Bissell (Academic Staff)

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**

Mr Will Stringer	60 ordinary shares of £1
Dr Laura Bissell	60 ordinary shares of £1
Ms Catherine Jackson	60 ordinary shares of £1
Mr Nick Kuenssberg OBE	60 ordinary shares of £1
Professor Jeffrey Sharkey	60 ordinary shares of £1

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

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

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

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

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

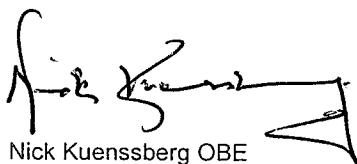
**Fixed assets**

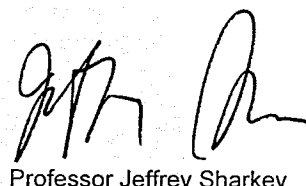
The fixed asset movements for the year are detailed in Note 11 to the financial statements.

**Auditors**

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

APPROVED BY THE GOVERNORS ON 27 OCTOBER 2017 AND SIGNED ON THEIR BEHALF BY

  
Nick Kuenssberg OBE  
Chairman

  
Professor Jeffrey Sharkey  
Principal

## CORPORATE GOVERNANCE STATEMENT

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

All Governors are made aware of the Governor Development Programme offered by the Leadership Foundation for Higher Education and in 2016-17 there were six attendances at Leadership Foundation events.

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

### Commitment to diversity

The Board of Governors is committed to achieving a minimum of 40% of either gender by 2018 of lay governors. The current Governing Body comprises 47% female and 53% male of lay governors (48% female: 52% male of all governors). During the year the Governors were invited to submit details of protected characteristics which will be considered on an anonymised basis by the Nominations Committee so as to inform future recruitment to the Board.

Details of the Governors are set out on page 15.

The Board consists of

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

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

The business of the Conservatoire is overseen by the Board of Governors who may exercise all the powers of the company. The statement of Governors' responsibilities for preparing the financial statements is set out on pages 20 and 21.

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 49. All of these committees are formally constituted with terms of reference. Four of these committees are particularly important in ensuring that the Conservatoire meets its various governance commitments.

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

The **Remuneration Committee** is responsible for:

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

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

The group of senior staff whose remuneration is determined by the Remuneration Committee comprises: the Principal, the Director of Finance and Estates, the Director of External Relations, the Conservatoire Secretary, the Director of

Human Resources, the Director of Academic Innovation, the Director of Drama, Dance, Production and Film and the Director of Music.

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

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

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

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

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

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

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

#### **Annual Review of Effectiveness**

The outcome of the Board's most recent annual effectiveness review indicated that Governors are, overall, content with the operation of the Board. 100% of Governors either agreed or strongly agreed with the statement that 'the role and responsibilities of the Board are clear.'

#### **Risk Control**

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

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

In summary, a suitable process for identifying, evaluating and managing the significant risks faced by the Conservatoire has been in place for the year under review and up to the date of approval of these financial statements.

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

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

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

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

#### **Institutional Sustainability**

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

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

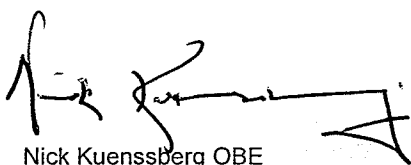
#### **Reserves**

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

#### **Going Concern**

As noted in the Annual Report, the Conservatoire has produced an operating surplus for the year under review and is planning for a modest budget surplus for the forthcoming year. There are currently borrowings of £1,655,000, however the liquidity and cash generation position as outlined in this review and in the cash flow statement are considered to be adequate to meet the Conservatoire's future financial commitments. The Governors believe that the Conservatoire is well placed to manage its business risks successfully despite the current uncertain economic outlook and have a reasonable expectation that the Conservatoire will continue to receive adequate support from the SFC and accordingly will have sufficient resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

APPROVED BY THE GOVERNORS ON 27 OCTOBER 2017 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg OBE  
Chairman



Professor Jeffrey Sharkey  
Principal

## STATEMENT OF GOVERNORS' RESPONSIBILITIES

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

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

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

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

The Governors have taken reasonable steps to:-

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

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

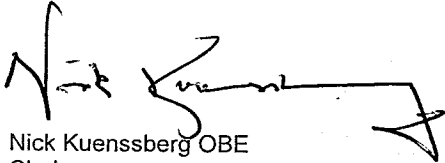
- \* clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments.
- \* a comprehensive short and medium-term planning process, supplemented by detailed annual income, expenditure and capital budgets.
- \* regular reviews of key performance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

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

Statement as to disclosure of information to auditors

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

THIS REPORT WAS APPROVED BY THE GOVERNORS ON 27 OCTOBER 2017 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg OBE  
Chairman



Professor Jeffrey Sharkey  
Principal



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

We have audited the financial statements of the Royal Conservatoire of Scotland (the Conservatoire) and its subsidiary for the year ended 31 July 2017 which comprise the Group and Conservatoire Statements of Comprehensive Income, Group and Conservatoire Statements of Changes in Reserves, the Group and Conservatoire Balance Sheets, Group and Conservatoire Statements of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the Conservatoire's affairs as at 31 July 2017, and of the group's and the Conservatoire's incoming resources and application of resources, including its income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

**Other information**

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

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

We have nothing to report in this regard.

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

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Governors (including the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Governors (including the Strategic Report) report has been prepared in accordance with applicable legal requirements.

### Opinion on other matters prescribed by the Scottish Funding Council's Financial Memorandum dated December 2014

In our opinion, in all material respects:

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

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

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

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

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

### Responsibilities of the Board of Governors

As explained more fully in the Statement of Governors' Responsibilities set out on pages 20 and 21, the Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

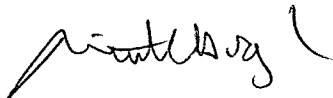
**Independent Auditor's Report to the Board of Governors of the Royal Conservatoire of Scotland (continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the Governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Use of our report**

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



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

27 October 2017

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

## Group Statement of Comprehensive Income and Expenditure for the year ended 31 July 2017

	Note	2017 £'000	2016 £'000
<b>INCOME</b>			
Funding body grants	2	11,669	11,381
Tuition fees and education contracts	3	8,897	8,131
Research grants and contracts	4	72	143
Other income	5	1,283	637
Investment Income	6	127	117
Donations and endowments	7	678	213
<b>Total Income</b>		<u>22,726</u>	<u>20,622</u>
<b>EXPENDITURE</b>			
Staff costs	8	16,164	15,479
Other operating expenses	10	5,030	4,355
Depreciation	11	845	880
<b>Total Expenditure</b>		<u>22,039</u>	<u>20,714</u>
<b>Surplus/(Deficit) before other gains and losses</b>		687	(92)
Loss on disposal of fixed assets		(7)	(10)
Realised gain/(loss) on investments		53	(26)
<b>Surplus/(Deficit) before unrealised gains and losses</b>		<u>733</u>	<u>(128)</u>
Unrealised gain on investments	12	198	77
<b>Surplus/(Deficit) for the year</b>		<u>931</u>	<u>(51)</u>
Actuarial gain in respect of pension schemes	23	2,732	2,091
<b>Total comprehensive income for the year</b>		<u>3,663</u>	<u>2,040</u>
Represented by:			
Endowment comprehensive income for the year		150	106
Restricted comprehensive income for the year		268	-
Unrestricted comprehensive income for the year		<u>3,245</u>	<u>1,934</u>
		<u>3,663</u>	<u>2,040</u>

All items of income and expenditure relate to continuing activities

## Conservatoire Statement of Comprehensive Income and Expenditure for the year ended 31 July 2017

	Note	2017 £'000	2016 £'000
<b>INCOME</b>			
Funding body grants	2	11,669	11,381
Tuition fees and education contracts	3	8,897	8,131
Research grants and contracts	4	72	143
Other income	5	896	637
Investment Income	6	127	117
Donations and endowments	7	678	213
<b>Total Income</b>		<u>22,339</u>	<u>20,622</u>
<b>EXPENDITURE</b>			
Staff costs	8	16,164	15,479
Other operating expenses	10	4,640	4,355
Depreciation	11	845	880
<b>Total Expenditure</b>		<u>21,649</u>	<u>20,714</u>
<b>Surplus/(Deficit) before other gains and losses</b>		690	(92)
Loss on disposal of fixed assets		(7)	(10)
Realised gain/(loss) on investments		53	(26)
<b>Surplus/(Deficit) before unrealised gains and losses</b>		<u>736</u>	<u>(128)</u>
Unrealised gain on investments	12	198	77
<b>Surplus/(Deficit) for the year</b>		<u>934</u>	<u>(51)</u>
Actuarial gain in respect of pension schemes	23	2,732	2,091
<b>Total comprehensive income for the year</b>		<u>3,666</u>	<u>2,040</u>
Represented by:			
Endowment comprehensive income for the year		150	106
Restricted comprehensive income for the year		268	-
Unrestricted comprehensive income for the year		3,248	1,934
		<u>3,666</u>	<u>2,040</u>

All items of income and expenditure relate to continuing activities

## Group Statement of Changes in Reserves for the year ended 31 July 2017

	Share	Income and Expenditure Reserve			Revaluation	Total
	Capital	Endowment	Restricted	Unrestricted	Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	8	1,726	-	13,851	1,212	16,797
Surplus/(Deficit) from the comprehensive income and expenditure statement	-	106	-	(157)	-	(51)
Other comprehensive income	-	-	-	2,091	-	2,091
Transfers between revaluation and income and expenditure reserve	-	-	-	7	(7)	-
Release of restricted funds spent in the year	-	(70)	-	70	-	-
<b>Total comprehensive income for the year</b>	-	36	-	2,011	(7)	2,040
<b>Balance at 1 August 2016</b>	8	1,762	-	15,862	1,205	18,837
Surplus from the comprehensive income and expenditure statement	-	150	268	513	-	931
Other comprehensive income	-	-	-	2,732	-	2,732
Transfers between revaluation and income and expenditure reserve	-	-	-	(59)	59	-
Release of restricted funds spent in the year	-	(57)	(43)	100	-	-
<b>Total comprehensive income for the year</b>	-	93	225	3,286	59	3,663
<b>Balance at 31 July 2017</b>	8	1,855	225	19,148	1,264	22,500


## Conservatoire Statement of Changes in Reserves for the year ended 31 July 2017


	Share Capital	Income and Expenditure Reserve			Revaluation Reserve	Total
	£'000	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2015</b>	8	1,726	-	13,851	1,212	16,797
Surplus/(Deficit) from the comprehensive income and expenditure statement	-	106	-	(157)	-	(51)
Other comprehensive income	-	-	-	2,091	-	2,091
Transfers between revaluation and income and expenditure reserve	-	-	-	7	(7)	-
Release of restricted funds spent in the year	-	(70)	-	70	-	-
<b>Total comprehensive income for the year</b>	-	36	-	2,011	(7)	2,040
<b>Balance at 1 August 2016</b>	8	1,762	-	15,862	1,205	18,837
Surplus from the comprehensive income and expenditure statement	-	150	268	516	-	934
Other comprehensive income	-	-	-	2,732	-	2,732
Transfers between revaluation and income and expenditure reserve	-	-	-	(59)	59	-
Release of restricted funds spent in the year	-	(57)	(43)	100	-	-
<b>Total comprehensive income for the year</b>	-	93	225	3,289	59	3,666
<b>Balance at 31 July 2017</b>	8	1,855	225	19,151	1,264	22,503

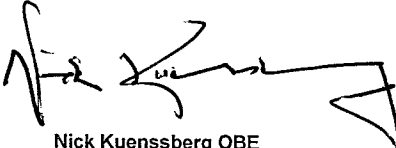
Group Balance Sheet as at 31 July 2017  
(Company Registration No.SC04703)

	Note	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Tangible fixed assets	11	35,753	34,435
Investments	12	3,234	3,025
		<u>38,987</u>	<u>37,460</u>
<b>Current assets</b>			
Trade and other receivables	13	791	790
Investments	14	1,327	1,286
Cash and cash equivalents		3,032	2,072
		<u>5,150</u>	<u>4,148</u>
<b>Less: Creditors - amounts falling due within one year</b>	15	<u>(1,956)</u>	<u>(2,328)</u>
<b>Net current assets</b>		<u>3,194</u>	<u>1,820</u>
<b>Total assets less current liabilities</b>		42,181	39,280
<b>Creditors: amounts falling due after more than one year</b>	16	(20,002)	(18,529)
<b>Provisions</b>			
Pension provisions	23	921	(1,304)
Other provisions	18	(600)	(610)
<b>Total net assets</b>		<u>22,500</u>	<u>18,837</u>
<b>Restricted reserves</b>			
Income and expenditure reserve - endowment reserve	19	1,855	1,762
Income and expenditure reserve - restricted reserve		225	-
		<u>2,080</u>	<u>1,762</u>
<b>Unrestricted reserves</b>			
Income and expenditure reserve - unrestricted		19,148	15,862
Revaluation reserve		1,264	1,205
		<u>22,492</u>	<u>18,829</u>
Share capital	20	8	8
<b>Total reserves</b>		<u>22,500</u>	<u>18,837</u>

The financial statements on pages 26 to 49 were approved by the Board of Governors on 27th October 2017 and were signed on its behalf on that date by:

  
Professor Jeffrey Sharkey  
Designated Officer

  
Alan Smith  
Director of Finance and Estates

  
Nick Kuenssberg OBE  
Chairman



Conservatoire Balance Sheet as at 31 July 2017  
(Company Registration No.SC04703)

	Note	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Tangible fixed assets	11	35,753	34,435
Investments	12	3,234	3,025
		<u>38,987</u>	<u>37,460</u>
<b>Current assets</b>			
Trade and other receivables	13	804	730
Investments	14	1,327	1,286
Cash and cash equivalents		2,970	1,807
		<u>5,101</u>	<u>3,823</u>
<b>Less: Creditors - amounts falling due within one year</b>	15	<u>(1,904)</u>	<u>(2,003)</u>
<b>Net current assets</b>		<u>3,197</u>	<u>1,820</u>
<b>Total assets less current liabilities</b>		42,184	39,280
<b>Creditors: amounts falling due after more than one year</b>	16	(20,002)	(18,529)
<b>Provisions</b>			
Pension provisions	23	921	(1,304)
Other provisions	18	(600)	(610)
<b>Total net assets</b>		<u>22,503</u>	<u>18,837</u>
<b>Restricted reserves</b>			
Income and expenditure reserve - endowment reserve	19	1,855	1,762
Income and expenditure reserve - restricted reserve		225	-
		<u>2,080</u>	<u>1,762</u>
<b>Unrestricted reserves</b>			
Income and expenditure reserve - unrestricted		19,151	15,862
Revaluation reserve		1,264	1,205
		<u>22,495</u>	<u>18,829</u>
Share capital	20	8	8
<b>Total reserves</b>		<u>22,503</u>	<u>18,837</u>

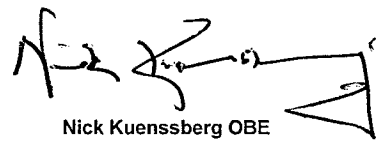
The financial statements on pages 26 to 49 were approved by the Board of Governors on 27th October 2017 and were signed on its behalf on that date by:



Professor Jeffrey Sharkey  
Designated Officer



Alan Smith  
Director of Finance and Estates



Nick Kuenssberg OBE  
Chairman

## Group Statement of cash flows for the year ended 31 July 2017

Note	2017 £'000	2016 £'000
<b>Cash flow from operating activities</b>		
Surplus/(Deficit) for the year	931	(51)
<b>Adjustment for non-cash items</b>		
Depreciation	845	880
Gain on investments	(199)	(51)
(Increase)/Decrease in debtors	(1)	76
Decrease in creditors	(554)	(1,059)
Decrease in other provisions	(10)	(5)
Pension costs less contributions payable	507	416
Receipt of donated equipment	(39)	-
<b>Adjustment for investing or financing activities</b>		
Investment income	(127)	(117)
Loss on the sale of fixed assets	7	10
Endowment Income	-	(78)
<b>Net cash inflow from operating activities</b>	<u>1,360</u>	<u>21</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales of fixed assets/Investments	1,278	1,196
Short term Investments	(41)	(234)
Investment income	127	117
Endowment funds invested	(499)	(492)
Funds invested	(748)	(762)
Payments to acquire fixed assets	<u>(2,172)</u>	<u>(442)</u>
	<u>(2,055)</u>	<u>(617)</u>
<b>Cash flows from financing activities</b>		
Endowment cash received	-	78
New unsecured loans	1,655	
<b>Increase in cash and cash equivalents in the year</b>	<u>960</u>	<u>(518)</u>
Cash and cash equivalents at beginning of the year	2,072	2,590
Cash and cash equivalents at end of the year	3,032	2,072

## Conservatoire Statement of cash flows for the year ended 31 July 2017

	Note	2017 £'000	2016 £'000
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		934	(51)
<b>Adjustment for non-cash items</b>			
Depreciation		845	880
Gain on investments		(199)	(51)
(Increase)/Decrease in debtors		(74)	136
Decrease in creditors		(281)	(1,384)
Decrease in other provisions		(10)	(5)
Pension costs less contributions payable		507	416
Receipt of donated equipment		(39)	-
<b>Adjustment for investing or financing activities</b>			
Investment income		(127)	(117)
Loss on the sale of fixed assets		7	10
Endowment Income		-	(78)
<b>Net cash inflow from operating activities</b>		<u>1,563</u>	<u>(244)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets/Investments		1,278	1,196
Short term Investments		(41)	(234)
Investment income		127	117
Endowment funds invested		(499)	(492)
Funds invested		(748)	(762)
Payments to acquire fixed assets		<u>(2,172)</u>	<u>(442)</u>
		<u>(2,055)</u>	<u>(617)</u>
<b>Cash flows from financing activities</b>			
Endowment cash received		-	78
New unsecured loans		1,655	-
<b>Increase in cash and cash equivalents in the year</b>		<u>1,163</u>	<u>(783)</u>
Cash and cash equivalents at beginning of the year		1,807	2,590
Cash and cash equivalents at end of the year		2,970	1,807

## Notes to the Financial Statements

## 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

## A Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The Conservatoire is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention, modified to include the investments at market value and the revaluation of certain musical instruments.

## B Basis of consolidation

The consolidated financial statements include the Conservatoire and all its subsidiaries for the financial year to 31 July 2017. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to date of disposal, intra-group transactions are eliminated on consolidation.

## C Tangible Fixed Assets

## 1. Land and Buildings

The Conservatoire's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings are stated in the balance sheet at cost. The main Conservatoire freehold buildings are depreciated over their expected useful economic life to the institution of 100 years. The Wallace Studios which is built on leasehold land is depreciated over its remaining useful life of 90 years (2015: 90 years). Material building improvements completed in 2017 are depreciated over their expected useful economic life of 25 years.

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

No depreciation is charged on assets under construction.

## 2. Equipment

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

Furniture, Fittings, Fixtures and Equipment	20% per annum
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## 3. Musical Instruments

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

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

The John Webb Brass instrument collection was originally brought onto the balance sheet at valuation, there is therefore no historical cost associated with these assets. A revaluation will be carried out again in 2019.

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

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

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

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

## Notes to the Financial Statements (continued)

## 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## D Investments

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

## E Cash and cash equivalents

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

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

## F Provisions

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

## G Recognition of Income

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the Conservatoire recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate. Grants (including research grants) from non government sources are recognised in income when the Conservatoire is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income over the periods in which the Conservatoire recognises the related costs for which the grant is intended to compensate. Where part of a non government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

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

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

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

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

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

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Restricted expendable endowments - the donor has specified a particular objective and the Conservatoire has the power to use the capital.
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

## H Maintenance of Premises

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

## Notes to the Financial Statements (continued)

## 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## I Pension Costs

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

## Strathclyde Pension Fund

The scheme is a defined benefit scheme.

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

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

## Scottish Teachers' Superannuation Scheme

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

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

## J Taxation Status

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

## K Operating Leases

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

## L Concessionary Loans

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

## M Reserves

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

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

## Notes to the Financial Statements (continued)

## 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## N Accounting Estimates and Judgements

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

A discussion of these critical accounting estimates is provided below.

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

Fixed Assets

Land and Buildings at the Wallace Studios are presently depreciated over the duration of the remainder of the leasehold which is 90 years. Material building improvements at Renfrew Street are presently depreciated over their useful life of 25 years.

Pension costs

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

## Notes to the Financial Statements (continued)

## 2 FUNDING BODY GRANTS

	Group & Conservatoire	
	2017 £'000	2016 £'000
SFC		
Recurrent grant for teaching	10,775	10,510
Research development foundation	220	186
Research postgraduate grant	73	73
Specific initiative grants:		
Disabled student premium	52	52
Knowledge Exchange Innovations	-	5
Knowledge Transfer Grant	-	153
University Innovation Fund	257	-
Deferred capital grants released in year:		
Buildings	251	248
Equipment	41	154
	<u>11,669</u>	<u>11,381</u>

## 3 TUITION FEES AND EDUCATION CONTRACTS

	Group & Conservatoire	
	2017 £'000	2016 £'000
Scotland and European Union(EU) students U/G	66	62
RUK students(new fee rates) U/G	1,587	1,572
Scotland and European Union(EU) and RUK students P/G	1,133	1,032
Non -EU students	2,682	2,369
UK further education students *	2,198	1,911
Registration Fees	181	182
Total fees paid by or on behalf of individual students	<u>7,847</u>	<u>7,128</u>
Higher Education contracts	1,039	988
Other contracts	11	15
Total	<u>8,897</u>	<u>8,131</u>

\* relates to Lifelong Learning and Junior Conservatoire programmes

## 4 RESEARCH GRANTS AND CONTRACTS

	Group & Conservatoire	
	2017 £'000	2016 £'000
Miscellaneous research grants and contracts	<u>72</u>	<u>143</u>

## 5 OTHER INCOME

	Group		Conservatoire	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Income from front of house	430	333	430	333
Sundry income	208	135	228	135
Conference Income	427	-	20	-
European Funded Projects	58	17	58	17
RCS Works	81	80	81	80
QAA Income	15	8	15	8
Widening Access to the Creative Industries Grant	64	64	64	64
	<u>1,283</u>	<u>637</u>	<u>896</u>	<u>637</u>



## Notes to the Financial Statements (continued)

6 INVESTMENT INCOME	Note	Group & Conservatoire	
		2017 £'000	2016 £'000
Investment income on endowments		52	39
Other investment income		67	51
Bank interest		8	27
		<u>127</u>	<u>117</u>

7 DONATIONS AND ENDOWMENTS	Group & Conservatoire	
	2017 £'000	2016 £'000
New endowments	-	78
Unrestricted donations	410	135
Restricted donations	268	-
	<u>678</u>	<u>213</u>

Restricted donations of £268K relate to the redevelopment of part of the Renfrew Street Campus building and these are the only restricted funds which the Conservatoire holds.

8 STAFF COSTS	Group & Conservatoire	
	2017 Number	2016 Number
The average number of employees expressed as full-time equivalents was:		
Senior Management	8	9
Teaching staff	212	196
Teaching support	34	26
Research grants and contracts	7	6
Other support services	19	16
Administration and central services	64	63
Premises	36	37
Other income generating activities	1	2
	<u>381</u>	<u>355</u>

Staff costs for the above persons:

Wages and salaries		12,759	12,507
Social security costs		1,074	895
Other pension costs	23	2,179	1,945
Other staff costs		152	132
		<u>16,164</u>	<u>15,479</u>

Senior Management		832	1,027
Teaching staff		9,496	9,021
Teaching support		1,077	894
Research grants and contracts		303	280
Other support services		891	863
Administration and central services		2,318	2,161
Premises		1,168	1,154
Other income generating activities		79	79
		<u>16,164</u>	<u>15,479</u>

Governors' salaries(included therein)

Salaries(staff members)		261	399
Pension contributions		45	44
		<u>306</u>	<u>443</u>

The number of Governors accruing benefits under pension schemes during the year was 5 (2016: 4)

## Notes to the Financial Statements (continued)

## 8 STAFF COSTS (continued)

## Key management personnel

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

	Group & Conservatoire	
	2017 £'000	2016 £'000
Total (including salaries, social security costs and other benefits)	795	1,014

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

	2017 £'000	2016 £'000
Principal		
Salary	138	136
Pension contributions	24	23
Benefits in kind*	3	3
	165	162
Accrued pension as at 31 July	7	4
Accrued lump sum as at 31 July	20	13

\* Benefits in kind relate to private medical insurance

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

	2017 Number	2016 Number
Nil	19	16
£10,001 - £20,000	1	1
£20,001 - £30,000	1	1
£30,001 - £40,000	-	1
£40,001 - £50,000	2	-
£80,001 - £90,000	-	1
£130,001 - £140,000	-	1
£140,001 - £150,000	1	-

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

	2017 Number	2016 Number
£70,001 - £80,000	2	2

## 9 TRAVEL AND SUBSISTENCE

	Group & Conservatoire	
	2017 £'000	2016 £'000
Travel and subsistence - Board members	11	13
- Staff	38	45
Hospitality - Board members	7	4
- Staff	12	13
	68	75

The total expenses paid to or on behalf of Board members was £18,000 (2016 - £17,000). This represents travel and subsistence expenses and hospitality costs incurred in attending Board, Committee meetings and other events in their official capacity.

## Notes to the Financial Statements (continued)

## 10 OTHER OPERATING EXPENSES

	Group		Conservatoire	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Teaching departments	1,604	1,439	1,604	1,439
Contracted-out lecturing services	303	312	303	312
Teaching support services	93	95	93	95
Other support services	436	401	436	401
Administration and central services	654	555	654	555
General education	195	195	195	195
Premises costs	577	560	577	560
Repairs, renewals and maintenance	278	234	278	234
Conference Costs	404	-	14	-
Other income generating activities	187	204	187	204
Agency Staffing Costs	2	56	2	56
Pension Fund net interest	39	116	39	116
Other expenses	258	188	258	188
	<u>5,030</u>	<u>4,355</u>	<u>4,640</u>	<u>4,355</u>

Other operating expenses include:

	2017 £'000	2016 £'000
Auditors' remuneration		
External audit	15	18
FFELP Contract	2	2
Internal audit	16	15
Operating lease rentals	223	210

## 11 TANGIBLE FIXED ASSETS - Group and Conservatoire

	Freehold Buildings	Leasehold Buildings	Assets under Construction	Furn/Fixt/ Fittings/ Equipment	Other Stringed Instruments	Musical Instruments	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost or valuation</i>							
At 1 August 2016	28,302	11,837	175	4,617	930	429	46,290
Additions	1,948	-	(175)	399	-	-	2,172
Disposals	-	-	-	(105)	-	-	(105)
At 31 July 2017	<u>30,250</u>	<u>11,837</u>	<u>0</u>	<u>4,911</u>	<u>930</u>	<u>429</u>	<u>48,357</u>
<i>Aggregate Depreciation</i>							
At 1 August 2016	6,720	1,073	-	3,810	38	214	11,855
Depreciation charge	330	132	-	342	9	32	845
Disposals	-	-	-	(96)	-	-	(96)
At 31 July 2017	<u>7,050</u>	<u>1,205</u>	<u>-</u>	<u>4,056</u>	<u>47</u>	<u>246</u>	<u>12,604</u>
<i>Net Book Value</i>							
NBV at 1 August 2016	<u>21,582</u>	<u>10,764</u>	<u>175</u>	<u>807</u>	<u>892</u>	<u>215</u>	<u>34,435</u>
NBV at 31 July 2017	<u>23,200</u>	<u>10,632</u>	<u>0</u>	<u>855</u>	<u>883</u>	<u>183</u>	<u>35,753</u>

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

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

## Notes to the Financial Statements (continued)

## 12 INVESTMENTS - Group and Conservatoire

	General Fund 2017 £'000	Prize Fund 2017 £'000	Piano Fund 2017 £'000	Total 2017 £'000	Total 2016 £'000
Market value at 1 August	1,796	494	735	3,025	2,912
Additions	748	201	298	1,247	1,254
Disposals	(750)	(195)	(291)	(1,236)	(1,218)
Increase in market value	114	34	50	198	77
Market value at 31 July	<u>1,908</u>	<u>534</u>	<u>792</u>	<u>3,234</u>	<u>3,025</u>
Listed investments		2017 Market Value £'000	2017 Cost £'000	2016 Market Value £'000	2016 Cost £'000
Fixed interest stocks		607	588	767	685
Equities		<u>2,627</u>	<u>2,189</u>	<u>2,258</u>	<u>1,987</u>
		<u>3,234</u>	<u>2,777</u>	<u>3,025</u>	<u>2,672</u>

The Conservatoire has a wholly owned subsidiary ISME 2016 Ltd which was set up to run the International Society for Music Education Conference. The Income and Expenditure and Balance Sheet position at 31 July 2017 are shown below and the results are included in the Group Accounts.

## Income and Expenditure

	£'000s
Income	407
Expenditure	<u>410</u>
Deficit for the year	<u>(3)</u>

## Balance Sheet

	£'000s
<i>Current Assets</i>	
Debtors	41
Cash at Bank	<u>62</u>
	103
Creditors: amounts falling due within one year	<u>(106)</u>
Net Current Liabilities	<u>(3)</u>
<i>Reserves</i>	
Income and Expenditure Reserve	<u>(3)</u>

## 13 TRADE AND OTHER RECEIVABLES

	Group		Conservatoire	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Amounts falling due within one year:				
Trade receivables	134	110	134	110
Receivables due from students - net of provision for doubtful debts	77	24	77	24
Other receivables	60	197	44	137
Prepayments and accrued income	520	457	495	457
Amounts due from Subsidiary company	-	-	54	-
	<u>791</u>	<u>788</u>	<u>804</u>	<u>728</u>
Amounts falling due after one year:				
Other receivables	-	2	-	2

## 14 CURRENT INVESTMENTS

	Group & Conservatoire	
	2017 £'000	2016 £'000
Short term deposits	<u>1,327</u>	<u>1,286</u>
	<u>1,327</u>	<u>1,286</u>

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

At 31 July 2017 the weighted average interest of these fixed rate deposits was 0.6% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 3 months. The fair value of these deposits was not materially different from the book value.

## Notes to the Financial Statements (continued)

## 15 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Conservatoire	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	229	210	227	210
Other creditors	288	164	288	164
Accruals and deferred income	1,372	1,944	1,322	1,619
Scottish Government Instrument Fund - Amounts payable to recipients	-	10	-	10
Loans	67	-	67	-
	<u>1,956</u>	<u>2,328</u>	<u>1,904</u>	<u>2,003</u>

## DEFERRED INCOME

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

	Group & Conservatoire	
	2017 £'000	2016 £'000
Donations	30	30
Grant income	305	406
	<u>335</u>	<u>436</u>

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

	Group & Conservatoire	
	2017 £'000	2016 £'000
Deferred income	18,452	18,529
Loans	1,550	-
	<u>20,002</u>	<u>18,529</u>

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

	Group & Conservatoire	
	2017 £'000	2016 £'000
Donations	100	100
Grant income	18,352	18,429
	<u>18,452</u>	<u>18,529</u>

## 17 PUBLIC BENEFIT ENTITY CONCESSIONARY LOANS

	Group & Conservatoire	
	2017 £'000	2016 £'000
Amounts repayable within one year	67	-
Amounts repayable more than one year	1,550	-
	<u>1,617</u>	<u>-</u>

A loan for £1,655,000 was received from RSAMD Endowment Trust to fund a part redevelopment of the Renfrew Street campus. The Loan is interest free for a term of 25 years and is not repayable on demand.

## Notes to the Financial Statements (continued)

## 18 PROVISIONS FOR LIABILITIES AND CHARGES - Group &amp; Conservatoire

	Pensions £'000
Balance at 1 August 2016	610
Increase in provision	35
Paid/released	(45)
Balance at 31 July 2017	<u>600</u>

A valuation of the existing pension provision was carried out at 31 July 2017 by Hymans Robertson, an independent firm of actuaries.

## 19 ENDOWMENT FUNDS - PERMANENT - Group &amp; Conservatoire

	Prize Fund Capital £'000	Prize Fund Income £'000	Piano Fund Capital £'000	2017 Total £'000	2016 Total £'000
Balance at 1 August 2016					
Capital	718	-	735	1,453	1,382
Accumulated income	-	187	-	187	174
	<u>718</u>	<u>187</u>	<u>735</u>	<u>1,640</u>	<u>1,556</u>
<i>Income</i>					
Funds introduced	-	-	-	-	78
Investment income	-	20	33	53	40
Gain/(loss) on sale of investments	-	19	17	36	(15)
Increase/(decrease) in value of investments	33	-	50	83	28
Transfer between funds	19	(19)	-	-	-
	<u>770</u>	<u>207</u>	<u>835</u>	<u>1,812</u>	<u>1,687</u>
<i>Expenditure</i>					
Prizes	-	(20)	-	(20)	(18)
Transfer to unrestricted reserves to meet expenditure incurred	-	-	(30)	(30)	(22)
Management fees	-	(2)	-	(2)	(7)
Balance at 31 July 2017	<u>770</u>	<u>185</u>	<u>805</u>	<u>1,760</u>	<u>1,640</u>
Represented by:					
Capital	770	-	805	1,575	1,453
Accumulated income	-	185	-	185	187
	<u>770</u>	<u>185</u>	<u>805</u>	<u>1,760</u>	<u>1,640</u>
Analysis by asset					
Current and non-current asset investments	<u>770</u>	<u>185</u>	<u>805</u>	<u>1,760</u>	<u>1,640</u>
	<u>770</u>	<u>185</u>	<u>805</u>	<u>1,760</u>	<u>1,640</u>

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

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

## Notes to the Financial Statements (continued)

## 19 ENDOWMENT FUNDS - EXPENDABLE - Group &amp; Conservatoire

	Cunningham Bequest £'000	Instrument Fund £'000	2017 Total £'000	2016 Total £'000
Balance at 1 August 2016				
Accumulated income	27	95	122	170
	<u>27</u>	<u>95</u>	<u>122</u>	<u>170</u>
<i>Income</i>				
Funds/capital introduced	-	-	-	-
Investment income	-	-	-	-
	<u>27</u>	<u>95</u>	<u>122</u>	<u>170</u>
<i>Expenditure</i>				
Transfer to deferred capital grant	-	-	-	-
Transfer to unrestricted reserves to meet expenditure incurred	(27)	-	(27)	(48)
Balance at 31 July 2017	<u>-</u>	<u>95</u>	<u>95</u>	<u>122</u>
Represented by:				
Accumulated income	-	95	95	122
	<u>-</u>	<u>95</u>	<u>95</u>	<u>122</u>
Analysis by asset:				
Cash and cash equivalents	-	95	95	122
	<u>-</u>	<u>95</u>	<u>95</u>	<u>122</u>

The Cunningham Bequest was in support of opera provision over a period of 4 years ending in 2016/17.

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

## 20 SHARE CAPITAL

	Group & Conservatoire	
	2017 £	2016 £
<u>Authorised:</u>		
15,000 Ordinary Shares of £1 each	<u>15,000</u>	<u>15,000</u>
<u>Allotted, Issued and Fully Paid:</u>		
7,284 Ordinary Shares of £1 each	7,284	7,284
<u>Allotted and Issued</u>		
300 Ordinary Shares of £1 each	<u>300</u>	<u>300</u>
	<u>7,584</u>	<u>7,584</u>

## Notes to the Financial Statements (continued)

## 21 LEASE OBLIGATIONS - Group &amp; Conservatoire

	Student Accommodation £'000	Musical Instruments £'000	Total £'000	2016 £'000
Future minimum lease payments due:				
Not later than 1 year	922	198	1,120	1,068
Later than 1 year and not later than 5 years	-	407	407	373
Total lease payments due	<u>922</u>	<u>605</u>	<u>1,527</u>	<u>1,441</u>

## 22 CAPITAL COMMITMENTS

	Group & Conservatoire	
	2017 £'000	2016 £'000
Commitments contracted at 31 July	-	1,846

## 23 PENSION COMMITMENTS - Group &amp; Conservatoire

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

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

The total pension cost for the year was :

	2017 £'000	2016 £'000
Contributions to STSS	843	789
Contributions to SPF	1,296	1,115
Contributions to UCRSS	5	-
	<u>2,144</u>	<u>1,904</u>
Increase in pension provision	<u>35</u>	<u>40</u>
	<u>2,179</u>	<u>1,944</u>

The actual cost of contributions paid by the Conservatoire during the year to the SPF was £832K.

There were no outstanding contributions payable at 31 July 2017.

**Scottish Teachers' Superannuation Scheme**

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

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

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

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

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

The Conservatoire's level of participation in the scheme is 0.21% based on the proportion of employer contributions paid in 2015-16.



## Notes to the Financial Statements (continued)

## Strathclyde Pension Fund

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

The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, with the most recent comprehensive valuation being prepared as at 31 March 2014. The rates of contribution payable are determined by the Board on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme and prepare an interim valuation for the purposes of reporting under FRS 102 as at the end of July. The employer contribution rate for the period from 1 August 2016 to 31 July 2017 was 19.3% of pay. The employee contribution rate for the period from 1 August 2016 to 31 July 2017 was a variable rate dependent on the level of salary ranging from 5.5% to 9.1%

Principal actuarial assumptions at the balance sheet date:

**Financial assumptions**

	2017	2016
	%	%
Future Pension increases	2.4	1.9
Future Salary increases	2.5	2.9
The Expected return on assets	2.7	2.5
Discount rate	2.7	2.5

The Conservatoire expects to contribute £887K to its defined benefit pension plans in 2017/18.

**Mortality assumptions**

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

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

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

	2017	2016
	%	%
Equities	71	73
Bonds	14	16
Property	11	11
Cash	4	-

## Notes to the Financial Statements (continued)

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

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

	Assets £'000	Obligations £'000	2017 Net (Liability)/ Asset £'000	2016 Net (Liability)/ Asset £'000
Fair value of employer assets	22,541	-	22,541	18,888
Present value of funded liabilities	-	23,845	(23,845)	(21,867)
<b>Opening Position as at 31 July 2016</b>	<b>22,541</b>	<b>23,845</b>	<b>(1,304)</b>	<b>(2,979)</b>
Service Cost	-	-	-	-
Current Service Cost	-	1,296	(1,296)	(1,115)
Past service Cost	-	-	-	-
<b>Total Service Cost</b>	<b>-</b>	<b>1,296</b>	<b>(1,296)</b>	<b>(1,115)</b>
Net Interest	-	-	-	-
Interest income on plan assets	573	-	573	714
Interest Cost on defined benefit obligation	-	612	(612)	(830)
<b>Total Net Interest</b>	<b>573</b>	<b>612</b>	<b>(39)</b>	<b>(116)</b>
<b>Total defined benefit cost recognised in income and expenditure</b>	<b>573</b>	<b>1,908</b>	<b>(1,335)</b>	<b>(1,231)</b>
Cashflows				
Plan participants contributions	277	277	-	-
Employer contributions	828	-	828	815
Benefits paid	(296)	(296)	-	-
<b>Expected closing position</b>	<b>23,923</b>	<b>25,734</b>	<b>(1,811)</b>	<b>(3,395)</b>
Re-measurements (actuarial losses)				
Changes in demographic assumptions	-	-	-	-
Changes in financial assumptions	-	(195)	195	(189)
Other experience	-	-	-	178
Return on assets excluding amounts included in net interest	2,537	-	2,537	2,102
<b>Total re-measurements recognised in other comprehensive income</b>	<b>2,537</b>	<b>(195)</b>	<b>2,732</b>	<b>2,091</b>
Fair value of plan assets	26,460	-	26,460	22,541
Present value of funded liabilities	-	25,539	(25,539)	(23,845)
<b>Closing position as at 31 July 2017</b>	<b>26,460</b>	<b>25,539</b>	<b>921</b>	<b>(1,304)</b>

## The Universities and Colleges Retirement Savings Scheme

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

## Notes to the Financial Statements (continued)

## 24 CONTINGENT LIABILITIES

Contingent liabilities represent items that, at 31 July 2017, are not recognised in the Balance Sheet because there is significant uncertainty at that date as to the necessity for the Conservatoire to make payments in respect of them.

## Group &amp; Conservatoire

Guarantee to ELIA NE@XT Accelerator project	2017 €80,000	2016 €80,000
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## 25 RELATED PARTY TRANSACTIONS

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

The Board member and the significant related party transactions with their associated organisations during the year to 31 July 2017 are detailed below:

Member	Organisation	Relationship	Grant Received	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
Nick Kuenssberg	Klik2learn	Chairman	£ -	£ 720	£ -	£ -	£ -
Shonaig Macpherson	Robertson Trust	Trustee	£ 230,000	£ -	£ -	£ -	£ -
Carol Main	Traditional Music Forum	Director	£ -	£ -	£ 20	£ -	£ -
Carol Main	Creative Scotland	Peer Reviewer	£ -	£ 198	£ -	£ -	£ -
Sharon Mair	BBC	Editor	£ -	£ 4,268	£ 1,350	£ 737	£ -
Gavin Reid	Scottish Chamber	Chief Executive	£ -	£ 7,607	£ -	£ -	£ -
Norman Sharp	QAA Scotland	Retired Director	£ -	£ 8,000	£ -	£ -	£ -

All members above held their posts for the full year.

## 26 DISCRETIONARY AND CHILDCARE FUNDS

	Childcare £	Discretionary £	Total £
Balance unspent at 1 August 2016	-	-	-
Allocation Received in year	7,297	32,322	39,619
Expenditure	(5,433)	(33,782)	(39,215)
Balance unspent at 31 July 2017	1,864	(1,460)	404
Repayable as claw back	1,864	(1,460)	404

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

## 27 SUBSEQUENT EVENTS

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

## 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 2017 unless otherwise stated.

#### **Academic Board**

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

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

Donald MacRae (Convenor)  
Chairman of the Board  
Principal  
Mark Leishman  
Shonaig MacPherson (to 15/9/17)  
Gavin Reid  
Maria Taylor

#### **Audit**

John Hylands (Convenor)  
Norman Sharp  
Agnes Robson  
External Member - Caroline Roxburgh (from 17/3/17)  
Maria Taylor (to 9/6/17)

#### **Buildings**

Ed Monaghan (Convenor)  
Principal  
Chairman of the Board  
Fiona Ballantyne  
Gavin Reid  
Donald MacRae  
Sharon Mair  
External Member - Andrew McFarlane (from 17/3/17)

#### **Nominations**

Chairman of the Board (Convenor)  
Principal  
John Hylands  
Agnes Robson  
Elected Academic Staff Governor  
Elected Support Staff Governor  
President of the Students' Union  
Vice President of the Students' Union

#### **Remuneration**

Chairman of the Board  
Donald MacRae  
Agnes Robson (Convenor)  
Maria Taylor

#### **Health and Safety and Wellbeing**

Carol Main (Convenor)  
Principal  
Director of Music  
Director of DDPF  
Director of Academic Innovation  
Director of External Relations  
Director of Human Resources  
Director of Finance and Estates  
Head of Technical Production  
President of the Students' Union  
Elected Academic Staff Governor  
Elected Support Staff Governor  
Trade union representative  
Health and Safety Adviser  
Norman Sharp

#### **Risk Management Group**

Director of Finance & Estates (Convenor)  
Principal  
Director of Music  
Director of DDPF  
Director of Academic Innovation  
Director of Human Resources  
Director of External Relations  
Conservatoire Secretary  
Maria Taylor

#### **Fair Access**

Norman Sharp (Convenor)  
Maria Taylor  
External Member - Karen Townsend  
External Member - Robert Rae  
External Member - Susan Hay  
Anne Lorne Gillies  
Director of Music  
Director of DDPF  
Director of Academic Innovation  
7 Staff Representatives  
1 Student Representative

#### **International Advisory Board**

Kenneth Donnelly  
Alexandra Silber  
Philip Niedermair  
Elaine. T. Hansen  
Jim McNabbroick  
Mark Paris (Convenor)  
Tari Lang  
Colleen Toomey  
Mitch Markson

Royal Conservatoire of Scotland  
PROFESSIONAL ADVISERS

*Bankers*

The Royal Bank of Scotland plc  
10 Gordon Street  
Glasgow G1 3PL  
Adam & Company plc.  
238 West George Street  
Glasgow G2 4QY

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

HSBC  
2 Buchanan Street  
Glasgow  
G1 3LB

*External Auditors*

Chiene & Tait LLP  
61 Dublin Street  
Edinburgh  
EH3 6NL

*Internal Auditors*

Scott Moncrieff  
Exchange Place 3  
Semple Street  
Edinburgh EH3 8BL

*Investment Advisers*

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

*Solicitors*

MacRoberts LLP  
Capella, 60 York Street  
Glasgow G2 8JX

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

Pinsent Masons  
123 St Vincent Street  
Glasgow G2 5EA

