



**Royal Conservatoire
of Scotland**

A Company Limited by Guarantee

Annual Report

And

Financial Statements

For the Year Ended 31 July 2019

**Company Registration No. SC04703
Charity No: SC015855**

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OFFICE BEARERS

Patron	His Royal Highness The Prince Charles, Duke of Rothesay DACad (Hon RSAMD)
President	Sir Cameron Mackintosh FRSAMD
Vice President	The Right Honourable Lord Gill FRSAMD
Vice President	Lord Vallance of Tummel DCon (Hon RCS)
Patron of the Junior Conservatoire	Nicola Benedetti MBE DMus (Hon RCS)
Chair of Governors	Nick Kuenssberg OBE
Principal	Professor Jeffrey Sharkey
Secretary	Ewan Hainey (resigned 12 October 2018) Lindsey Shields (appointed 14 November 2018)
Registered Office	100 Renfrew Street Glasgow G2 3DB

CHAIR'S FOREWORD

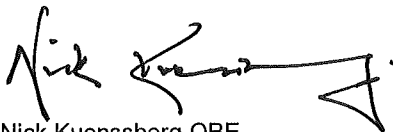
As a distinctive multi-disciplinary performing arts conservatoire the Royal Conservatoire of Scotland (RCS) makes a major contribution to the cultural, economic and social fabric of the nation. With more than 600 performances both within our venues and around the country, world-leading teaching and research and with outstanding achievements by our students, alumni and staff, RCS ensures the impact and relevance of the performing arts are felt widely and deeply at a time when their connecting and convening powers are needed more than ever. I agree wholeheartedly with the conclusion reached by the Scottish Funding Council (SFC) at the end of its Strategic Dialogue with the institution in May, that in RCS, Scotland has a world-class conservatoire of which it should be proud.

It is to the credit of everyone involved that RCS remains in the top 20 world-wide of performing arts institutions in the prestigious QS World Rankings. In addition, that RCS is number one in Scotland for graduate employability (Higher Education Statistics Agency 2016/17) with 99.2% of undergraduate first-degree level graduates in employment or further education (or both) six months after graduating; that 30% (29% in 2017/18) of students have a declared disability and that 30% (28% in 2017/18) of undergraduates are from Scottish Index of Multiple Deprivation (SIMD) 20/40.

Despite flat grant funding, the RCS has been able to generate a modest surplus before unrealised gains and losses of £516,000 (£471,000 in 2017/18), this being the result of increased numbers of post-graduate and international students, positive delivery of pre-HE and short-course activities and good financial management. The Principal, Professor Jeffrey Sharkey, and the management team are to be congratulated for this result at the same time as they so effectively support the student experience.

At the beginning of the 2019/20 academic year the RCS has been for the first time able to offer its students accommodation in the excellent new complex at Base, in Dunblane Street. Base has been developed with facilities particularly relevant to performing arts students such as practice rooms and the RCS currently has around 150 of the 300 rooms available. The location is well-suited to RCS, located as it is in easy reach of both the Renfrew Street and Wallace Studios campuses.

In the coming academic year we have a number of excellent new board appointments which also give us a 50:50 gender balance. I believe that the RCS will benefit from the contribution of these new appointments as they join our highly-regarded board, including staff and student governors, and a visionary Principal who is a widely-respected and passionate advocate for the vital role of the performing arts in society. Together with a talented and committed management and staff team, in joint effort and with shared vision, they will all help to navigate the shoals and the storm clouds ahead and ensure that the RCS continues to prosper well into the future.



Nick Kuenssberg OBE
Chair

REPORT OF THE GOVERNORS

The Governors present their report together with the audited financial statements for the year ended 31 July 2019.

Constitution

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

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

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

Corporate Structure

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

Principal activity

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

The RCS's vision is to:

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

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

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

STRATEGIC REPORT

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

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

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

Driving focused excellence

In the QS world rankings the RCS has now been ranked in the top 20 performing arts institutions in each of the past four years. However, the National Student Survey results showed a decline (2019: 73%; 2018: 75%) and action plans are being implemented to address issues raised including the establishment of a working group convened jointly by the Students' Union President and the Assistant Principal and a revised annual programme monitoring process has also been approved by Academic Board.

The new undergraduate curriculum was introduced this academic session, the outcome of the first periodic review since the major curriculum reform project a decade ago. Having made a commitment then to collaborative working between disciplines, this unique feature of the RCS curriculum has been consolidated in the new curriculum, and the validating panel of external experts noted the innovative and high quality learning opportunities students have. They especially commended the well-established variety of professional links that each programme has with the creative industries, affording students access to work experience whilst learning.

A new Academic Management Team has been established to strengthen cross School co-ordination and planning for the annual Learning and Teaching Conference. A Technology-Enhanced Learning Forum, convened by the Assistant Principal, has been created to give particular focus to digital learning and work has begun to redesign the academic committee structure which will be implemented from September 2020.

The RCS was the recipient during the year of a professional learning award from the General Teaching Council of Scotland and now accredits all levels of the Association of British Theatre Technicians training programme.

Success in international competitions and awards continue to be an important benchmark of the quality of the institution's students and teachers. Congratulations are due to Sasha Savaloni, winner of the Seville International Guitar Competition, Minkyu Kim, 1st prize Beethoven Piano Society of Europe and to alumni Richard Madden for receiving a Golden Globe Award for his role in the acclaimed BBC series 'The Bodyguard'. Two of the modern ballet students also made the finals of the BBC Young British Dancer, the quality of the young ballet department being increasingly recognised internationally.

Promoting Equality and Diversity

The RCS successfully recruited to the second cohort of the BA in British Sign Language (BSL) and English programme which only recruits once every three years.

We remain committed to ensuring that people with talent and potential in the performing arts from the most marginalised communities in Scotland have an equal chance to access the range of programmes offered by the RCS. Our work reflects the ambitions and targets set by the Scottish Government and the Scottish Funding Council (SFC) for widening access to higher education for young people from the 20% most disadvantaged areas of Scotland and those who are care experienced. The Scottish Government has set a target for individual institutions recruiting 10% of Scottish-domiciled undergraduate entrants from the 20% most deprived postcode areas (SIMD 20) by 2020. In 2018-19, 17.6% of our Scottish undergraduate entrants came from SIMD 20 postcodes, exceeding the national target by 7.6%. The corporate parenting plan is beginning to have a positive impact and our Transitions programme has seen 15% of its cohort declare that they are care experienced, an 11% increase on 2017-18.

The Fair Access Committee continues to oversee the implementation of our Fair Access Plan which sets out RCS' vision, ambitions, objectives and targets to 2020-21. Highlights this year include:

- Meeting our recruitment targets for our Transitions programme with a cohort of 149 students.
- Launching our 'Transitions 7-11' programme in music and dance and delivering workshops and classes to 28 young people in Glasgow from SIMD 20 backgrounds, exceeding our target of 20 students.
- Reaching 1,884 pupils in schools with a history of low progression to HE across Glasgow and the South West
- Launching two new online resources for teachers to assist in developing their awareness of our 'Widening Access to the Creative Industries' programme
- Launching our new pupil ambassador programme in schools with a history of low progression, to work alongside teachers and our widening access team to promote and provide information about the opportunities our widening access programmes have to offer.

We reserve a proportion of the budget to enable staff and students to bid for funds to develop an initiative that promotes equality and diversity within or beyond the RCS. It was possible to support a number of high quality submissions, exploring through various media a wide range of equality and diversity issues. "East Meets West" is an example of how the Creative Fund brings together students from across the world (in this case musicians from 13 countries), to share cultures and music with an audience that was largely new to the RCS. The event also raised funds for the Scottish Refugee Council.

In October 2018 we launched our first British Sign Language Action Plan, which outlines our commitment to make the RCS more accessible to d/Deaf students, staff and visitors.

Alongside our [Mainstreaming Report 2019](#), we published our [Interim Review of our Equality Outcomes 2017-2021](#) and our [Equal Pay Review 2019](#).

The RCS was voted the *Inclusive Organisation Champion of the Year* Award 2019 which we believe publicly acknowledges our commitment to equality, diversity and inclusion.

Advancing Life Long Learning

Enhanced financial management measures, alongside increased participation in short courses and juniors resulted in an improved financial outturn for this year. Transitions funding enabled a wide range of young people from challenging socio-economic contexts to access our provision: a combination of juniors, bespoke mentoring and access to Short Courses.

Targeted enhancements to our provision includes the validation of the Music Leaders Award. After a successful pilot, this credit-bearing programme in which RCS partners with Schools and Local Authorities to offer and validate school pupils' music leadership skills and train teachers to deliver the award, thereby enhancing the school curriculum has been launched.

Grant funding was received from the Scottish Government to support the PGDE – a programme of professional learning at postgraduate level leading to GTCS registration in Music Education (classroom teaching). The first cohort has been successfully recruited.

The RCS remains engaged in the national level debate around high quality provision in arts education including formal membership of Music Education partnership Group and through meeting targeted outcomes as detailed in our Fair Access Plan.

Embracing our role as a national and international performing arts institution

The RCS continues to exploit its unique position in developing fruitful partnerships with the national companies. The BA Modern Ballet students toured with the Scottish Ballet production of 'Wee Hansel and Gretel'.

The RCS held a symposium on the value of higher education and performing arts higher education to society as a whole which included a keynote address from the Cabinet Secretary for Culture, Tourism and External Affairs and also hosted a 'Creative Conversations' event at the National Galleries during the Edinburgh Festivals.

Students and alumni were invited to participate in event to celebrate the work of the Prince's Foundation at Buckingham Palace in June 2019.

International student recruitment continues to grow which reflects the increased focus on this area of activity as part of the planning for the post-Brexit environment. International partnerships have been strengthened through signing a memorandum of understanding with the prestigious Shanghai Theatre Academy and the RCS has joined the Nordic Association of Conservatoires. In autumn 2019 a delegation of teachers from Xinghai Conservatoire in China will visit to observe opening the prospect of future staff and student exchanges and student recruitment.

An International Foundation Certificate was launched during the year in partnership with the University of Glasgow to provide a preparatory year for students to improve English language skills while continuing to develop their artistic practice.

The RCS's Confucius classroom was launched during the year and will offer lessons in Mandarin to junior students from October 2019.

The International Advisory Board based in the USA continued to generate funds in support of scholarships at the Conservatoire.

Estates and Infrastructure Developments

During the year an internal review of utilisation of space was undertaken. Whilst confirming that the RCS's estate is extremely busy, the exercise has resulted in increased staff and student engagement with the space planning

process, enhanced management of timetabling, better institutional understanding of space pressures and a more equitable distribution of available space.

The development of void and under-used space within the Alexander Gibson Opera School during the year provided additional informal study space and improved social space for students and designated quiet spaces for students and staff have been created in both sites.

Other projects completed during the year included the construction of a purpose-built welding bay within the workshops at the Wallace Studios and the refurbishment of the Fyfe Lecture Theatre.

The student accommodation development at Dunblane Street accepted its first RCS student tenants in September 2019 under an Agreement for Lease. The RCS intends to enter into a lease for the provision of rooms in the facility during the coming year. This splendid facility is situated between the RCS's two main sites and with additional features such as practice rooms, a dance studio, a cinema room and excellent social amenity it represents a welcome enhancement to the overall offering to students.

A feasibility study funded by a Scottish Government Initiative has been commissioned to assess various options to improve the energy efficiency and carbon footprint of the estate with proposals to be progressed during 2019-20.

A project to improve wireless coverage within the Renfrew Street building was completed this year and work is continuing to provide back-up server facilities at the Wallace Studios to improve overall resilience of the IT systems.

Research and Knowledge Exchange

Academic Year 2018-19 was especially busy for Research and Knowledge Exchange, with a range of projects across staff research (including preparation for REF 2021), consultancy, doctoral degrees and innovation support.

In advance of our participation in the Research Excellence Framework (REF) 2021, the RCS has prepared a Code of Practice that sets out its approach to staff inclusion in REF. As part of that Code, a new Academic Workload Model will ensure that all relevant staff have time to pursue their research - a major strategic step forward in embedding research across the institution.

The completion and publication in February of our major study of music education and youth music making in Scotland, *What's Going On Now?*, was widely welcomed and the Scottish Government committed to responding to its recommendations in its Programme for Government. The publication has been followed up with related advocacy for the Music Education Partnership Group, including a presentation of the findings and discussion with the Deputy First Minister.

Our partnership work with Scottish Ballet, has continued, exploring the impact of participatory dance on quality of life for those living with dementia, Parkinson's and Multiple Sclerosis, with growing international interest in the findings.

Having successfully negotiated membership of the Scottish Graduate School for the Arts and Humanities Doctoral Training Partnership, funded by the Arts and Humanities Research Council (AHRC), the RCS's doctoral programmes achieved, in its first year of participation in this highly-competitive process, the highest success rate of any HEI in Scotland, and more studentships than any HEI except Glasgow, Edinburgh and St Andrews universities.

The Director of Research and Knowledge Exchange, has been appointed to the chair of the European Platform for Artistic Research in Music, which operates under the auspices of the European Association of Conservatoires to support the development of artistic research, as a discipline, in and beyond RCS, through a range of advocacy work and an annual conference.

Realising the investment of the Scottish Funding Council, through its Universities Innovation Fund, the RCS's approach to supporting innovation has seen a step change. Our month of entrepreneurial support sessions for students, graduates and the general public *Make It Happen Month* has been supplemented by *Make it Work*, a partnership with Interface and the Scottish Funding Council aimed at improving access to Innovation Vouchers for those working in the creative and cultural sectors, who have hitherto struggled to engage with this important source of kick-start funding; and *SHIFT*, an innovative summer school delivered in partnership with the Glasgow School of Art and Queen Margaret University. *SHIFT* is an intense, collaborative, week-long programme focussed on the creative industries and has received excellent feedback from participants - its success has brought interest from other HEIs, the Creative Industries Advisory Group and the Cabinet Secretary for Culture, Tourism and External Affairs, both for its carefully-targeted support for nascent entrepreneurs in the creative industries, and for the successful partnership approach that underpins it.

Outcome Agreements

Outcome Agreements are intended to set out what higher education institutions plan to deliver in return for their funding from the SFC. SFC state that 'the focus of Outcome Agreements is on the contribution that higher education makes

towards improving life chances, supporting world-class research and creating sustainable economic growth for Scotland'.

The 2019 Letter of Guidance to Funding Council directed the SFC to give consideration to ways in which it can better recognise and articulate, through the Outcome Agreement, the importance of arts and creative education exemplified by specialised arts institutions to the creative industries, future skills and contribution to culture in Scotland. The RCS welcomes this particular emphasis on maintaining, developing and strengthening the opportunities of Scotland's young people to have access to high quality performing arts education and has incorporated an additional section within the 2019-20 Outcome Agreement to articulate the particular role the RCS can play both by itself and with suitable partners including Local Authorities in order to support the successful delivery of that ambition. This is critical work if the objectives of widening access are to be fulfilled in a meaningful way.

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

The RCS's 2018-19 Outcome Agreement and associated progress report can be found at:

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

Future prospects

Consultation has begun with stakeholder groups on the development of the next strategic plan for 2020-2025 to be published in summer 2020. The plan will be ordered around three themes – People, Place and Promise. It is being devised against a backdrop of acute political uncertainty which presents particular challenges in forecasting the impact on the demographic and subject specialism of future student recruitment, related funding streams from grants and tuition fees and potential changes to resource requirements to accommodate that change.

The Board is undertaking a review of options to ensure the RCS's sustainability in the longer term, taking into account the challenges presented by Brexit, the outlook for public funding and the institution's ability to continue to generate funds from other sources, in particular for the scholarships necessary to support student recruitment in an increasingly competitive market.

At the same time consideration is being given to longer term estate development needs to support the institutional strategy for 2020-25 and beyond to ensure that the RCS stays at the forefront retains its reputation for providing the very best facilities for performing training both nationally and internationally.

Academic developments

Over the coming year work will continue on the preparation of postgraduate curriculum review and will focus on the distinctiveness of the graduate experience and postgraduate attributes: rounded excellence; empathy; resilience; disruptive thinking; 360 degree advocacy; artful living; and curiosity. The revised programmes will be implemented from 2020-21.

The BA in British Sign Language and English and the BA in Musical Theatre programmes will undergo review.

New awards under consideration include: an interdisciplinary/collaborative MFA, an MFA in Arts and Ecology and a postgraduate diploma for study in music following a Masters award.

By agreement the RCS will take over the Postgraduate Diploma in Education (Music) from the University of Strathclyde from 2019-20 with opportunities for synergies with the existing B Ed in Music programme.

A new Erasmus+ exchange programme has been approved with Yerevan Conservatoire in Armenia involving student and staff exchanges in Opera and Junior Conservatoire staff exchanges over a period of three years.

Access and employment of disabled persons

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

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

Health, Safety, Well-being and Child Protection

The RCS continues to develop its policies and procedures for health, well-being and child protection and is leading the way in challenging and eliminating inappropriate behaviour within the performing arts sector through the management,

education and support of its staff, students, audiences and alumni. A Code of Professionalism and Conduct has been introduced as part of revised Dignity at Work and Study Policy and an institutional statement on Gender Based Violence has been adopted. A 'Safe Space' initiative has also been introduced. Increased counselling support for students has been put in place which will be further enhanced next year with resource from SFC. Finally, a Student Mental Health Agreement has been agreed with the Students' Union.

Financial Results

Financial Summary

RCS Results

	2019 £'000	2018 £'000
Income	24,283	23,668
Expenditure	<u>23,750</u>	<u>23,195</u>
Surplus before other gains and losses	533	473
Loss on disposal of fixed assets	(4)	(8)
Realised (loss)/ gain on investments	<u>(13)</u>	<u>6</u>
Surplus before unrealised gains and losses	516	471
Unrealised gain on investments	<u>280</u>	<u>92</u>
Surplus for the year	<u>796</u>	<u>563</u>
Capital expenditure	<u>630</u>	<u>379</u>
Cash and cash equivalents	<u>3,289</u>	<u>3,645</u>
Net current assets	<u>3,268</u>	<u>4,119</u>
Pension asset	<u>714</u>	<u>3,412</u>

The surplus for the year before unrealised gains and losses is £516,000 (2018: a surplus of £471,000).

The position relating to the RCS's involvement in Strathclyde Pension Fund is a net pension asset at 31 July 2019 of £714,000 (2018: £3,412,000). Accounting policy 1i and note 23 to the financial statements disclose details of the treatment of pension assets/liabilities in the financial statements.

Cash on hand including short term investments at 31 July 2019 was £4,597,000 (2018: £4,984,000).

Summary of Investment Performance

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

Benchmark	Total Return	Over/(Under) Performance
%	%	%
6.0	8.1	2.1

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

The investments have returned 8.1% for the year to 31st July 2019, compared to the benchmark which returned 6.0%. At the headline asset allocation level, fixed interest, equities and alternatives all produced positive returns with the main contribution compared to the benchmark coming from UK equities where stock selection added value. The investments produce an estimated annual gross yield of 3.4% which is an important part of the total return. The investments are well diversified and positioned against a fluid economic and political backdrop.

The RCS continues to divest from direct investment holdings in oil, gas and mining stocks and invest a proportion of the portfolios in renewables. This is illustrative of the RCS's wider engagement with, and commitment to, the sustainability and carbon reduction agenda.

Risks and Uncertainties

Strategic Risks

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

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

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

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

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

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

- Meeting targets for HE student recruitment

Through the development and review of its undergraduate and postgraduate curricula the RCS also continues to offer programmes which are innovative, of high quality at the leading edge of performing arts training and which remain attractive to prospective students.

The RCS continues to focus on setting ambitious but achievable targets for student recruitment and constructs its budget with a shortfall contingency. In recent years overall recruitment targets and retention rates have been exceeded and continued success in this area is the cornerstone of institutional sustainability. Impending Brexit and potential implementation of the Augar Report represent significant threats to future student recruitment to which the RCS will have to respond. This response includes intensification of recruitment activity in receptive overseas markets, continuing to build alliances with international conservatoires and re-doubling efforts to build relationships and visibility in RUK. Through fundraising efforts from Trusts, Foundations and individual supporters and the International Advisory Board, the RCS will aim to increase the scholarship support which provides a vital underpinning to the recruitment effort.

- Maintaining optimum capacity and balance of age and specialism for pre-HE student recruitment

It is an important objective of the pre-HE activity at RCS that it creates clear pathways for young people with potential to progress to the undergraduate programmes. To improve the effectiveness in this area there needs to be strong links between colleagues across all disciplines and continuing improvement of the junior conservatoire performance. In that regard there is a focus on a more strategic approach to the planning of intakes in terms of specialism, age and stage and integrating teaching and performance activities where possible with the senior conservatoire.

- Brexit

The RCS continues to scenario plan for the impact of Brexit on student recruitment and the effect this might have on future programme offerings; it is anticipated that music will be the most materially affected. Although EU applications and numbers remain strong and steps are taken to reassure students as far as possible about future funding institutional recruitment strategy is focused on cultivating further international recruitment out with the EU and working to strengthen the pre-HE provision in Scotland to improve the pipeline of home grown talent. The RCS also continues to advocate for financial support in a future post-Brexit Scotland for EU performing arts students to encourage them to study in Scotland.

- Maintaining levels of scholarship support

The offer of scholarship support plays a significant part in boosting recruitment within the conservatoire sector and over recent years the RCS has managed to achieve steady growth in this area. As some external supporters come under pressure to maintain existing levels of support so the RCS is seeking to diversify sources of funds for scholarships.

- Dunblane St accommodation

Despite a very challenging timetable to complete the new student accommodation development at Dunblane Street in Glasgow the building was completed on time and students were able to move into the new facility in September 2019 under an Agreement for Lease. The RCS is now taking the opportunity to review the lease arrangements with the owner prior to finalisation.

- Maintaining Financial Sustainability in the longer term

Over recent years the Board has achieved, and continues to plan for, an operating surplus. This has been accomplished in recent years through continued growth in student numbers, the generation of income from other sources such as Theatre Tax Relief and additional support from the RCS Endowment Trust and improved management and efficiencies within expenditure budgets. Future growth in student numbers is constrained both by physical space and the fact that the RCS is fast approaching what is considered to be the optimum size. Yet cost pressures continue to grow, particularly in relation to the pension service charge for the Local Government Scheme and the significant increase in the employer cost of the Teachers' Pension Scheme at a time of flat grant settlements from SFC. It is important therefore for the RCS to continue to focus on hitting recruitment targets and indeed seek modest growth where possible, ensure that contributions from pre-HE and short course activities continue to improve and to seek cost efficiencies wherever possible whilst at the same time protecting the student experience. In parallel the Board and management of the RCS continues to pursue the case with Scottish Government and SFC for improved funding while also trying to widen the fundraising base.

- Changes to Scottish and UK HE Policy

The potential implementation of the recommendations of the Post-18 Review of Education and Funding in England (The Augar Report) present a number of risks associated with the recruitment of, and funding support for, Rest of UK (RUK) students. In the meantime RCS continues to develop links with specialist pre-HE providers in England and to audition and promote itself there. The Scottish Government's approach to post-Brexit student funding is a critical issue where existing funding should be deployed to maximum affect and the contribution to economic growth of the creative industries recognised.

The changes to the submission criteria for REF 2021 present challenges for the sector as a whole but more so for a small specialist institution with a bigger volume of staff now falling within scope for submission. There has been a renewed emphasis on Research and Knowledge Exchange specifically for the Strategic Plan 2020-25. Preparations are underway to ensure that the quality of the RCS submission is maximised.

Monitoring of Performance

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

	2018-19	2017-18
<u>Income growth and diversity</u>		
Surplus before other unrealised gains and losses as a percentage of turnover	2.1%	2.0%
Surplus before other unrealised gains and losses	£516K	£471K
Financial forecast operating surplus (based on FRS 102)		
2019-20	£52K	£(50)K
2020-21	£(201)K	£(303)K
2021-22	£(371)K	N/A
Percentage of funding		
SFC	51%	51%
Undergraduate and postgraduate tuition fees	34%	31%
Junior Conservatoire and Short course tuition fees	10%	10%
Box Office and letting	1%	2%
Donations and other income	4%	6%

	2018-19	2017-18
Infrastructure		
Capital Investment as % of insurance value	0%	0%
Building condition		
Category A – as new	64%	63%
Category B – completely fit for purpose	30%	31%
Category C – in need of improvement	6%	6%
UG and PG Applicant demand, student achievement and satisfaction		
Applicants:		
Scottish	1,404	1,405
EU	716	608
RUK	1,563	1,291
International	862	771
Total	4,545	4,075
Students:	No %	No %
Scottish	607 48	615 51
EU	187 15	165 13
RUK	221 18	234 19
International	239 19	200 17
Total	1,254 100	1,214 100
Applications: offers : acceptances	8.9: 1.5: 1	8.9: 1.6: 1
Percentage of applicants with a declared disability	15%	16%
Percentage of undergraduate and postgraduate students with a declared disability	30%	25%
Scots undergraduate applicants from SIMD 20/40 as percentage of total Scots applicants	23%	25%
Scots undergraduate entrants from SIMD 20/40 as percentage of total Scots entrants	30%	28%
Scots undergraduates from SIMD 20/40 as percentage of total Scots undergraduates	30%	28%
Student Achievement Rate ¹	93%	94%
Course Completion Rate + 2years ²	83%	88%
External engagement		
National Student Survey overall satisfaction rating	73%	77%
HESA Destination of leavers percentage in work or further study	98%	96%
Number of internally generated student performances	519	448
Audience number	55,705	50,059
Audience number as a percentage of capacity	59%	61%

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

²The course completion rate + 2 years is a measure (expressed as a %) of students who commence a programme and complete that programme within 2 years of the standard course duration.

THE BOARD OF GOVERNORS OF THE ROYAL CONSERVATOIRE OF SCOTLAND

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

Primary Responsibilities

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

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

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

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

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

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

To establish processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself, its Committees and the Chair of the Board of Governors.

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

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

To safeguard the good name and values of the RCS.

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

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

To be the employing authority for all staff in the RCS and to be responsible for establishing a human resources strategy together with all relevant human resources policies.

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

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

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

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

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

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

To constructively challenge and support the management of the RCS.

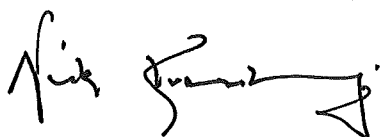
Reserved Powers

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

Payment of creditors

It is the RCS's policy to obtain the best terms for all goods and services. There is thus no single policy as to the terms used. In agreements negotiated with suppliers, the RCS endeavors to include and abide by specific payment terms. The creditors' balance at 31 July 2019 represented 7% of total purchases for the year, equivalent to 26 creditor days. No interest was paid in terms of the Late Payments of Commercial Debts (Interest) Act 1998.

APPROVED BY THE GOVERNORS ON 1 NOVEMBER 2019 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg OBE
Chair



Professor Jeffrey Sharkey
Principal

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

The following received honorary doctorates during the academic session 2018-19:

Doctor of Music

Margaret Marshall OBE
Tim Smith

Doctor of Drama

Richard Madden
Paule Constable

Doctor

Frank Quinault

Governors

The Governors set out in the table below have held office during the whole of the period from 1 August 2018 to the date of this report unless otherwise noted.

Lay Governors

Nick Kuenssberg OBE (Chair)
Professor Norman Gillies OBE (retired 29/10/19)
John Hylands (Vice Chair)
Tari Lang (Vice Chair)
Mark Leishman CVO
Professor Donald MacRae OBE
Carol Main MBE
Sharon Mair
Sir Jonathan Mills
Ed Monaghan
Mark Paris (resigned 29/4/19)
Agnes Robson
Professor Norman Sharp OBE (retired 30/10/19)
Maria Taylor
Colleen Toomey
Caroline Roxburgh (appointed 3/11/18)

Governors ex officiis

The Principal:
Professor Jeffrey Sharkey

The President, Students' Union:
Jasmine Munns

Nominated by Academic Board

Jean Sangster

Student nominated

The Vice President, Students' Union
Aiden Teplitzky

Staff Governors-elected

Nicholas Olsen (Resigned 8/8/19)
Susan Lee Kidd (Appointed 13/9/19)

The Register of Governors' interests can be viewed on the website at
http://www.rcs.ac.uk/about_us/governors/register/

Directors' and Officers' liability insurance

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

Governors' interests

Susan Lee Kidd	60 ordinary shares of £1
Nick Kuenssberg OBE	60 ordinary shares of £1
Professor Jeffrey Sharkey	120 ordinary shares of £1
Jasmine Munns	60 ordinary shares of £1

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

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

Student and Staff Engagement in Governance and Quality Processes

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

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

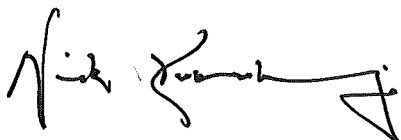
Fixed assets

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

Auditors

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

APPROVED BY THE GOVERNORS ON 1 NOVEMBER 2019 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg OBE
Chair



Professor Jeffrey Sharkey
Principal

CORPORATE GOVERNANCE STATEMENT

A revised Scottish Code of Good Higher Education Governance was published in 2017 which replaced the 2013 Code.

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

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

The RCS is currently working on updating its constitutional documents to effect the requirements of the Higher Education Governance (Scotland) Act 2016 including the development of election rules for the election of the Chair. The rules for eligibility to stand for election as Chair will be drafted in 2020/21 once the RCS's amended constitutional documents have come into force.

All Governors are made aware of the Governor Development Programme offered by the Leadership Foundation for Higher Education. In 2018-19 there were two attendances at Leadership Foundation events.

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

Commitment to diversity

The Board of Governors 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 (2018: 47% female: 53% male of all governors). During the year the Governors were invited to submit details of protected characteristics which will be considered on an anonymized basis by the Nominations Committee so as to inform future recruitment to the Board.

Size and Composition of the Board

As of the date of this report, the Board of Governors comprises 17 Governors – 12 Lay Governors, 2 ex officio and 3 elected/nominated. Board membership is given at page 16 of this report. The RCS's Order of Council specifies that the number of Lay Governors should be not less than 11 and not more than 19. There are a number of factors that influence the size and composition of the Board – some of which are, we believe, unique to the RCS. Most obviously, and in common with all other HEIs, the Board needs to ensure that the skills and experience profile of its total membership is sufficient to meet the Board's commitments in terms of its Statement of Primary Responsibilities and to operate its various Committees. As a national institution with an international reach, the Board also seeks to recruit Governors from the length and breadth of Scotland and, in support of the RCS's international profile and ambitions, from out with Scotland. The Board also believes that, in the context of the RCS's singular focus on the performing arts, that its membership should include Governors with either direct experience of performance or with leadership/senior management experience in the performing arts. In combination, these factors mean that the number of Lay Governor members of the RCS's Board has always been closer to the maximum number permissible of 19 rather than the minimum number of 11.

The Board consists of:

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

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

The business of the RCS is overseen by the Board of Governors who may exercise all the powers of the company. The statement of Governors' responsibilities for preparing the financial statements is set out on pages 22 and 23.

The Board of Governors may delegate any of its powers to any committee of one or more Governors. The Board is responsible for the RCS's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve its business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board meets five times per year and, additionally, normally holds an annual off-site meeting to consider strategic issues. The Board has several committees, memberships of which are listed on page 51. All of these committees are formally constituted with terms of reference. Five of these committees are particularly important in ensuring that the RCS meets its various governance commitments.

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

The **Finance and General Purposes Committee** *inter alia* recommends to the Governing Body the RCS's annual revenue and capital budgets and monitors performance in relation to these approved budgets. The membership comprises the Chair 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 RCS'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 RCS's policy on severance arrangements and approving the terms of any severance or early retirement arrangement for a senior manager;
- Determining any issue referred to it by the Board concerning remuneration and terms and conditions of senior staff; and
- Reporting its decisions to the Board.

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

The group of senior staff whose remuneration is determined by the Remuneration Committee comprises: the Principal, Assistant Principal, the Director of Finance and Estates, the Director of External Relations, the RCS Secretary, the Director of Human Resources, the Director of Fair Access, the Director of Drama, Dance, Production and Film and the Director of Music.

Policy for setting remuneration of senior staff

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

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

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

The **Nominations Committee** receives and considers proposals for Board 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 Chair, Vice-Chair, Principal, Student Union President, one elected staff Governor and two Lay Governors appointed by the Board of Governors.

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

- Proper financial management;
- The effectiveness of the internal control and management systems;
- Safeguarding the RCS's assets;
- The economy, efficiency and effectiveness of the RCS's activities;
- Corporate governance and the conduct of the RCS's operations;
- The audit needs analysis;
- Risk management;
- Fraud and whistleblowing;
- Considering and finally recommending audited financial statements to the Board of Governors for adoption.

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 RCS'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 a minimum of 3 Lay Governors one of whom may be a member of the Finance and General Purposes Committee.

The Convenor of the Finance and General Purposes Committee is in attendance. Whilst the Director of Finance and Estates and Deputy Director of Finance attend meetings of the Audit Committee, they are not a member of the Committee. Once a year the Committee formally meets with the external auditor and the internal auditor for independent discussions.

External Review of Effectiveness

In 2019 the Board of Governors' undertook an externally facilitated evaluation of its own effectiveness and that of its committees, including size and composition of membership, carried out at least every five years. A final report was received from the external evaluator and the Executive Summary notes that:

- Board-level governance at the RCS appears to be compliant with current requirements contained in relevant codes of practice and to be working towards compliance with emerging expectations.
- Respondents to the survey on Board effectiveness express high levels of confidence in the effectiveness of corporate governance but not to a degree that might be deemed complacent.
- There is evidence of reflective practice and a clear systemic process of governance.
- There is consistency of understanding between respondents about the nature of governance at the RCS. Where there are differences of opinion about aspects of governance practice, there is evidence that these have been discussed and considered by Board members.
- Financial governance is particularly robust.
- The conduct of governance is efficient within the time allowed and steps have been taken to increase time available and to incorporate space for reflection and strategic thinking.
- Board members not directly involved in academic activity would welcome a greater understanding of academic issues.
- There is nothing in the evidence gathered to give concern about compliance with prevailing codes of practice and their expectations. There is strong evidence of a shared commitment to good governance and the reflective practices to support it.

Risk Assessment and Management

The RCS 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 RCS management teams. The Strategic Risk Register is reviewed regularly by the RMG, the Audit Committee and the Board.

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

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

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

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

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

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

Governors' Statement on Annual Report and Financial Statements

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

Institutional Sustainability

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

- Strategic planning;

- The setting and monitoring of budgets and future financial forecasts with the aim of producing operating surpluses year on year;
- Regular reports on student recruitment and retention;
- Setting targets and receiving regular progress reports on fundraising activity from the Executive;
- Expansion of fundraising capacity;
- Following through the recommendations of a short-life Governors' and Executive income generation group to deliver ideas to diversify and grow income;
- Appointment of a business development director;
- The creation of an International Advisory Board to expand the RCS's reach and fundraising potential with a particular focus on North America.

Reserves

The Board of Governors through the Finance and General Purpose Committee undertakes an annual review of the adequacy of reserves to support the RCS's operational and strategic requirements. The latest review in June 2019 confirmed that the level of reserves was adequate for these purposes.

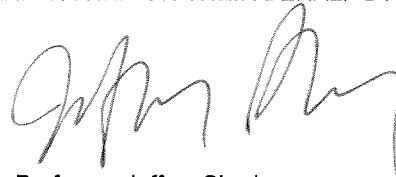
Going Concern

As noted in the Annual Report, the RCS 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 £1,484,000 from the RCS Infrastructure Trust which are not repayable on demand, 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 RCS's future financial commitments. The Governors believe that the RCS is well placed to manage its business risks successfully despite the current uncertain economic outlook and have a reasonable expectation that the RCS 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 1 NOVEMBER 2019 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg OBE
Chair



Professor Jeffrey Sharkey
Principal

STATEMENT OF GOVERNORS' RESPONSIBILITIES

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

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

In preparing the financial statements, the Governors have ensured that:-

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

The Governors have taken reasonable steps to:-

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

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

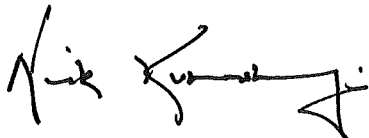
- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- A comprehensive short and medium-term planning process, supplemented by detailed annual income, expenditure and capital budgets;
- Regular reviews of key performance indicators and business risks and financial results involving variance reporting and updates of forecast 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 RCS and an opinion on the adequacy and effectiveness of the RCS's system of internal controls, including internal financial control.

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

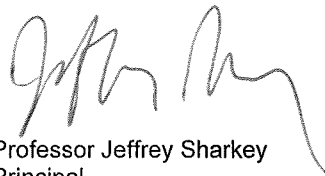
Statement as to disclosure of information to auditors

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

THIS REPORT WAS APPROVED BY THE GOVERNORS ON 1 NOVEMBER 2019 AND SIGNED ON THEIR BEHALF BY



Nick Kuenssberg OBE
Chair



Professor Jeffrey Sharkey
Principal

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

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

In our opinion the financial statements:

- give a true and fair view of the state of the RCS's affairs as at 31 July 2019, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the annual report (incorporating the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Opinion on other matters prescribed by the terms of our engagement

In our opinion, in all material respects:

- Funds from whatever source administered by the RCS for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; 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 RCS and its environment obtained in the course of the audit, we have not identified material misstatements in the annual report (incorporating the strategic report and the directors' report).

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

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

Responsibilities of the Board of Governors

As explained more fully in the governors responsibilities statement, the governors (who are also the trustees and directors of the RCS for the purposes of charity and company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

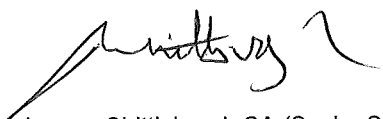
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

Use of our report

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



Jeremy Chittleburgh CA (Senior Statutory Auditor)

For and on behalf of Chiene + Tait LLP

Chartered Accountants and Statutory Auditor

61 Dublin Street

Edinburgh

EH3 6NL

4 November 2019

Statement of Comprehensive Income for the year ended 31 July 2019

	Note	2019 £'000	2018 £'000
INCOME			
Funding body grants	2	12,247	12,035
Tuition fees and education contracts	3	10,510	9,700
Research grants and contracts	4	63	59
Other income	5	991	1,020
Investment Income	6	193	148
Donations and endowments	7	279	706
Total Income		<u>24,283</u>	<u>23,668</u>
EXPENDITURE			
Staff costs	8	18,051	17,454
Other operating expenses	10	4,805	4,871
Depreciation	11	894	870
Total Expenditure		<u>23,750</u>	<u>23,195</u>
Surplus before other gains and losses		533	473
Loss on disposal of fixed assets		(4)	(8)
Realised (loss)/gain on investments		(13)	6
Surplus before unrealised gains and losses		<u>516</u>	<u>471</u>
Unrealised gain on investments	12	280	92
Surplus for the year		<u>796</u>	<u>563</u>
Actuarial (loss)/gain in respect of pension schemes	23	(2,013)	3,153
Total comprehensive income for the year		<u>(1,217)</u>	<u>3,716</u>
Represented by:			
Endowment comprehensive income for the year		148	83
Restricted comprehensive income for the year		141	116
Unrestricted comprehensive income for the year		(1,506)	3,517
		<u>(1,217)</u>	<u>3,716</u>

All items of income and expenditure relate to continuing activities


Statement of Changes in Reserves for the year ended 31 July 2019

	Share	Income and Expenditure Reserve			Revaluation	Total
	Capital	Endowment	Restricted	Unrestricted	Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2017	8	1,855	225	19,151	1,264	22,503
Surplus from the comprehensive income and expenditure statement	-	83	116	364	-	563
Other comprehensive income	-	-	-	3,153	-	3,153
Transfers between revaluation and income and expenditure reserve	-	-	-	(32)	32	-
Release of restricted funds spent in the year	-	(30)	(75)	105	-	-
Transfers between Prize Fund and Unrestricted Reserve	-	(14)	-	14	-	-
Total comprehensive income for the year	-	39	41	3,604	32	3,716
Balance at 1 August 2018	8	1,894	266	22,755	1,296	26,219
Surplus from the comprehensive income and expenditure statement	-	148	141	507	-	796
Other comprehensive income	-	-	-	(2,013)	-	(2,013)
Transfers between revaluation and income and expenditure reserve	-	-	-	(149)	149	-
Release of restricted funds spent in the year	-	(48)	(75)	123	-	-
Transfers between Prize Fund and Unrestricted Reserve	-	(14)	-	14	-	-
Total comprehensive income for the year	-	86	66	(1,518)	149	(1,217)
Balance at 31 July 2019	8	1,980	332	21,237	1,445	25,002

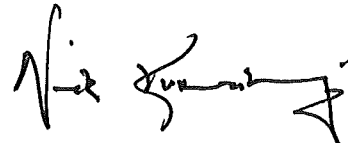
Balance Sheet as at 31 July 2019
(Company Registration No.SC04703)

	Note	2019 £'000	2018 £'000
Non-current assets			
Tangible fixed assets	11	34,975	35,249
Investments	12	5,800	3,666
		<u>40,775</u>	<u>38,915</u>
Current assets			
Trade and other receivables	13	1,105	1,115
Investments	14	1,308	1,339
Cash and cash equivalents		3,289	3,645
		<u>5,702</u>	<u>6,099</u>
Less: Creditors - amounts falling due within one year	15	<u>(2,434)</u>	<u>(1,980)</u>
Net current assets		<u>3,268</u>	<u>4,119</u>
Total assets less current liabilities		44,043	43,034
Creditors: amounts falling due after more than one year	16	(19,330)	(19,668)
Provisions			
Pension provisions	23	714	3,412
Other provisions	18	(425)	(559)
Total net assets		<u>25,002</u>	<u>26,219</u>
Restricted reserves			
Income and expenditure reserve - endowment reserve	19	1,980	1,894
Income and expenditure reserve - restricted reserve	20	332	266
		<u>2,312</u>	<u>2,160</u>
Unrestricted reserves			
Income and expenditure reserve - unrestricted		21,237	22,755
Revaluation reserve		1,445	1,296
		<u>24,994</u>	<u>26,211</u>
Share capital	21	8	8
Total reserves		<u>25,002</u>	<u>26,219</u>

The financial statements on pages 27 to 46 were approved and authorised for issue by the Board of Governors on 1st November 2019 and were signed on its behalf on that date by:


Professor Jeffrey Sharkey
Designated Officer


Alan Smith
Director of Finance and Estates


Nick Kuenssberg OBE
Chair

Statement of cash flows for the year ended 31 July 2019

	Note	2019 £'000	2018 £'000
Cash flow from operating activities			
Surplus for the year		796	563
Adjustment for non-cash items			
Depreciation	11	894	870
Gain on investments		(267)	(98)
Increase in debtors	13	10	(311)
Decrease in creditors	15 / 16 / 17	116	(258)
Decrease in other provisions	18	(135)	(41)
Pension costs less contributions payable	23	685	662
Adjustment for investing or financing activities			
Investment income	6	(193)	(148)
Loss on the sale of fixed assets		4	8
Endowment income		-	(5)
Net cash inflow from operating activities		<u>1,910</u>	<u>1,242</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets/investments		762	355
Short term investments	14	31	(12)
Investment income	6	193	148
Endowment funds invested	12	(320)	(470)
Funds invested	12	(2,302)	(214)
Payments to acquire fixed assets	11	(630)	(379)
		<u>(2,266)</u>	<u>(572)</u>
Cash flows from financing activities			
Endowment cash received		-	5
(Decrease)/increase in cash and cash equivalents in the year		<u>(356)</u>	<u>675</u>
Cash and cash equivalents at beginning of the year		3,645	2,970
Cash and cash equivalents at end of the year		3,289	3,645

Notes to the Financial Statements

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

A Basis of preparation

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

B Basis of consolidation

Consolidated financial statements including the RCS and all its subsidiaries were prepared for the financial year to 31 July 2018. The results of subsidiaries acquired or disposed of during the period included in the consolidated statement of income from the date of acquisition or up to date of disposal, intra-group transactions were eliminated on consolidation. The RCSs subsidiary undertaking, ISME 2016, was dormant during the period and formally dissolved on 23 July 2019.

C Tangible Fixed Assets

1. Land and Buildings

The RCS's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings are stated in the balance sheet at cost. The main RCS heritage buildings are depreciated over their expected useful economic life to the institution of 100 years. The Wallace Studios which is built on leasehold land is depreciated over its remaining useful life of 90 years (2018: 90 years). Material building improvements completed in 2017 are depreciated over their expected useful economic life of 25 years.

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

No depreciation is charged on land or assets in the course of construction.

2. Equipment

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

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

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

Stringed instruments with a value of £2,000 and above were revalued as at July 2019 as assessed by Mr David Rattray, 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 2024.

The John Webb Brass instrument collection will be revalued by Dr Graham Wells in November 2019, an external professional valuation expert and will be recorded in 2019-20 accounts. These brass 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 2024.

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

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

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

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

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

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

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

H Maintenance of Premises

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

Notes to the Financial Statements (continued)

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

I Pension Costs

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

Strathclyde Pension Fund

The scheme is a defined benefit scheme.

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

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

Scottish Teachers' Pension Scheme

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

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

J Taxation Status

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

K Operating Leases

Operating Leases rentals are charged to the Statement of Comprehensive Income 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 RCS.

M Reserves

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

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

Notes to the Financial Statements (continued)

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

N Financial Instruments

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

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

(i) Financial assets and liabilities

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

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

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

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

O Accounting Estimates and Judgements

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

A discussion of these critical accounting estimates is provided below.

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

Fixed Assets

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

Pension costs

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

Notes to the Financial Statements (continued)

2 FUNDING BODY GRANTS

	2019 £'000	2018 £'000
SFC		
Recurrent grant for teaching	11,249	11,126
Research development foundation	268	255
Research postgraduate grant	74	73
<i>Specific initiative grants:</i>		
Disabled student premium	52	52
University Innovation Fund	347	257
<i>Deferred capital grants released in year:</i>		
Buildings	253	253
Equipment	4	19
	<u>12,247</u>	<u>12,035</u>

3 TUITION FEES AND EDUCATION CONTRACTS

	2019 £'000	2018 £'000
Scotland and European Union(EU) students U/G	75	60
RUK students U/G	1,622	1,686
Scotland and European Union(EU) and RUK students P/G	1,147	1,129
Non -EU students	3,884	3,129
UK further education students *	2,331	2,271
Registration Fees	250	244
Total fees paid by or on behalf of individual students	<u>9,309</u>	<u>8,519</u>
Higher Education contracts	1,165	1,169
Other contracts	36	12
Total	<u>10,510</u>	<u>9,700</u>

* relates to Lifelong Learning and Junior Conservatoire programmes

4 RESEARCH GRANTS AND CONTRACTS

	2019 £'000	2018 £'000
Miscellaneous research grants and contracts	<u>63</u>	<u>59</u>

5 OTHER INCOME

	2019 £'000	2018 £'000
Income from front of house	327	366
Sundry income	423	302
Conference Income	-	49
European Funded Projects	51	122
RCS Works	64	67
QAA Income	6	6
Widening Access to the Creative Industries Grant	63	63
Limitless project	-	11
NE Arts Hub	57	34
	<u>991</u>	<u>1,020</u>

Notes to the Financial Statements (continued)

6 INVESTMENT INCOME	Note	2019 £'000	2018 £'000
Investment income on endowments		63	65
Other investment income		104	75
Bank interest		26	8
		<u>193</u>	<u>148</u>

7 DONATIONS AND ENDOWMENTS		2019 £'000	2018 £'000
Unrestricted donations		138	590
Restricted donations		141	116
		<u>279</u>	<u>706</u>

Restricted donations of £66K relate to the redevelopment of part of the Renfrew Street Campus building.

8 STAFF COSTS

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

	2019 Number	2018 Number
Senior Management	10	8
Teaching staff	189	186
Teaching support	28	26
Research grants and contracts	7	8
Other support services	22	22
Administration and central services	65	64
Premises	46	44
Other income generating activities	1	1
	<u>368</u>	<u>359</u>

Staff costs for the above persons:	2019 £'000	2018 £'000
Wages and salaries	14,000	13,567
Social security costs	1,216	1,158
Pension Contributions paid	1,928	1,900
Pension net service cost	770	678
Other staff costs	137	151
	<u>18,051</u>	<u>17,454</u>

Senior Management	955	897
Teaching staff	10,279	10,053
Teaching support	1,270	1,286
Research grants and contracts	487	422
Other support services	1,018	935
Administration and central services	2,654	2,619
Premises	1,322	1,181
Other income generating activities	66	61
	<u>18,051</u>	<u>17,454</u>

Governors' salaries (included therein)

Salaries (staff members)	288	244
Pension contributions	50	42
	<u>338</u>	<u>286</u>

The number of Governors accruing benefits under pension schemes during the year was 5 (2018: 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 RCS. Key management personnel comprise: the Principal; Assistant Principal; Director of Finance and Estates; Director of Human Resources; Director of Fair Access; Director of Music; Director of Drama, Dance, Production and Film; Director of External Relations; Director of Business Development; Director of Research and Knowledge Exchange; and the RCS Secretary. Staff costs including compensation paid to key management personnel as follows:

	2019 £'000	2018 £'000
Total (including salaries, social security costs and other benefits)	<u>954</u>	<u>845</u>

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

	2019 £'000	2018 £'000
Principal		
Salary	143	140
Pension contributions	25	24
Benefits in kind*	<u>4</u>	<u>4</u>
	<u>172</u>	<u>168</u>
Accrued pension as at 31 July	12	9
Accrued lump sum as at 31 July	35	27

* Benefits in kind relate to private medical insurance

The ratio of the remuneration of the Principal to the median salary of a RCS staff member is 2.88 (2018:2.88)

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

	2019 Number	2018 Number
Nil	18	18
£10,001 - £20,000	1	1
£20,001 - £30,000	1	-
£30,001 - £40,000	-	1
£40,001 - £50,000	-	1
£50,001 - £60,000	2	-
£140,001 - £150,000	1	1

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

9 TRAVEL AND SUBSISTENCE

	2019 £'000	2018 £'000
Travel and subsistence		
- Board members	6	6
- Staff	40	37
Hospitality		
- Board members	6	5
- Staff	<u>15</u>	<u>8</u>
	<u>67</u>	<u>56</u>

The total expenses paid to or on behalf of Board members was £12,000 (2018 - £11,000). 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

	2019 £'000	2018 £'000
Teaching departments	1,425	1,747
Contracted-out lecturing services	173	208
Teaching support services	361	300
Other support services	516	429
Administration and central services	656	607
General education	185	201
Premises costs	650	611
Repairs, renewals and maintenance	280	284
Conference Costs	-	40
Other income generating activities	263	204
Agency Staffing Costs	85	38
Pension Fund net interest	(85)	(16)
Other expenses	296	218
	<u>4,805</u>	<u>4,871</u>

Other operating expenses include:

	2019 £'000	2018 £'000
Auditors' remuneration		
External audit	15	15
FFELP Contract	2	2
Non-audit services	36	9
Internal audit	17	17
Operating lease rentals		
Other than Land and Buildings	267	232

11 TANGIBLE FIXED ASSETS

	Freehold Buildings £'000	Leasehold Buildings £'000	Furn/Fixt/ Fittings/ Equipment £'000	Other Stringed Instruments £'000	Musical Instruments £'000	Total £'000
<i>Cost or valuation</i>						
At 1 August 2018	30,281	11,837	5,106	930	429	48,583
Additions	-	-	597	30	3	630
Disposals	-	-	(338)	(83)	-	(421)
Revaluations				36		36
At 31 July 2019	<u>30,281</u>	<u>11,837</u>	<u>5,365</u>	<u>913</u>	<u>432</u>	<u>48,828</u>
<i>Aggregate Depreciation</i>						
At 1 August 2018	7,412	1,337	4,255	56	274	13,334
Depreciation charge	362	132	369	3	28	894
Disposals	-	-	(333)	(8)	-	(341)
Revaluations				(34)		(34)
At 31 July 2019	<u>7,774</u>	<u>1,469</u>	<u>4,291</u>	<u>17</u>	<u>302</u>	<u>13,853</u>
<i>Net Book Value</i>						
NBV at 1 August 2018	<u>22,869</u>	<u>10,500</u>	<u>851</u>	<u>874</u>	<u>155</u>	<u>35,249</u>
NBV at 31 July 2019	<u>22,507</u>	<u>10,368</u>	<u>1,074</u>	<u>896</u>	<u>130</u>	<u>34,975</u>

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

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

Stringed instruments were revalued during the year by Mr David Raltray, the net impact being a £70K increase in value which has been added to the Revaluation Reserve brought forward. Further details are provided within Accounting policies at C3 on page 31.

Notes to the Financial Statements (continued)

12 INVESTMENTS

	General Fund 2019 £'000	Prize Fund 2019 £'000	Piano Fund 2019 £'000	Total 2019 £'000	Total 2018 £'000
Market value at 1 August	1,983	860	823	3,666	3,234
Additions	2,302	164	156	2,622	684
Disposals	(432)	(172)	(164)	(768)	(344)
Increase in market value	195	43	42	280	92
Market value at 31 July	<u>4,048</u>	<u>895</u>	<u>857</u>	<u>5,800</u>	<u>3,666</u>
Listed investments		2019 Market Value £'000	2019 Cost £'000	2018 Market Value £'000	2018 Cost £'000
Fixed interest stocks		1,822	1,732	980	952
Equities		<u>3,978</u>	<u>3,323</u>	<u>2,686</u>	<u>2,170</u>
		<u>5,800</u>	<u>5,055</u>	<u>3,666</u>	<u>3,122</u>

13 TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	149	74
Receivables due from students - net of provision for doubtful debts	104	78
Other receivables	104	67
Prepayments and accrued income	748	893
Amounts due from Subsidiary company	-	3
	<u>1,105</u>	<u>1,115</u>

14 CURRENT INVESTMENTS

	2019 £'000	2018 £'000
Short term deposits	<u>1,308</u>	<u>1,339</u>
	<u>1,308</u>	<u>1,339</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 2019 the weighted average interest of these fixed rate deposits was 0.9% 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

	2019 £'000	2018 £'000
Trade payables	266	348
Other creditors	555	303
Accruals and deferred income	1,547	1,263
Loans	66	66
	<u>2,434</u>	<u>1,980</u>

Accruals and deferred income at 31 July 2019 includes £350K payable to the RCS Endowment Trust (2018: £nil)

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.

	2019 £'000	2018 £'000
Donations	30	30
Grant income	257	272
	<u>287</u>	<u>302</u>

16 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Deferred income	17,912	18,184
Loans	1,418	1,484
	<u>19,330</u>	<u>19,668</u>

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

	2019 £'000	2018 £'000
Donations	40	70
Grant income	17,872	18,114
	<u>17,912</u>	<u>18,184</u>

17 PUBLIC BENEFIT ENTITY CONCESSIONARY LOANS

	2019 £'000	2018 £'000
Amounts repayable within one year	66	66
Amounts repayable more than one year	1,418	1,484
	<u>1,484</u>	<u>1,550</u>

A loan for £1,885,000 was received from The RCS Infrastructure Trust (formally The RSAMD Endowment Trust) to fund a part redevelopment of the Renfrew Street campus. The Loan is interest free, payable at £66K per year over a term of 25 years and is not repayable on demand.

Notes to the Financial Statements (continued)

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions £'000
Balance at 1 August 2018	559
Decrease in provision	(90)
Paid/released	(45)
Balance at 31 July 2019	<u>425</u>

A valuation of the existing pension provision was carried out at 31 July 2019 by Hymans Robertson, an independent firm of actuaries.

19 ENDOWMENT FUNDS - PERMANENT

	Prize Fund Capital £'000	Prize Fund Income £'000	Piano Fund Capital £'000	2019 Total £'000	2018 Total £'000
Balance at 1 August 2018					
Capital	779	-	827	1,606	1,575
Accumulated income	<u>-</u>	<u>193</u>	<u>-</u>	<u>193</u>	<u>185</u>
	779	193	827	1,799	1,760
<i>Income</i>					
Funds introduced	19	-	-	19	5
Investment income	-	33	30	63	64
Gain/(loss) on sale of investments	4	-	2	6	4
Increase/(decrease) in value of investments	<u>43</u>	<u>-</u>	<u>42</u>	<u>85</u>	<u>39</u>
	845	226	901	1,972	1,872
<i>Expenditure</i>					
Prizes	-	(16)	-	(16)	(20)
Transfer to unrestricted reserves to meet expenditure incurred	-	-	(29)	(29)	(30)
Management fees	-	(4)	(5)	(9)	(9)
Transfer between Prize Fund and Unrestricted Reserve	<u>(14)</u>	<u>-</u>	<u>-</u>	<u>(14)</u>	<u>(14)</u>
Balance at 31 July 2019	<u>831</u>	<u>206</u>	<u>867</u>	<u>1,904</u>	<u>1,799</u>
Represented by:					
Capital	831	-	867	1,698	1,606
Accumulated income	<u>-</u>	<u>206</u>	<u>-</u>	<u>206</u>	<u>193</u>
	831	206	867	1,904	1,799
Analysis by asset					
Current and non-current asset investments	<u>831</u>	<u>206</u>	<u>867</u>	<u>1,904</u>	<u>1,799</u>
	831	206	867	1,904	1,799

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

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

Notes to the Financial Statements (continued)

19 ENDOWMENT FUNDS - EXPENDABLE

	2019 Instrument Fund £'000	2018 Total £'000
Balance at 1 August 2018		
Accumulated income	95	95
	<u>95</u>	<u>95</u>
<i>Income</i>		
Funds/capital introduced	-	-
Investment income	-	-
	<u>95</u>	<u>95</u>
<i>Expenditure</i>		
Transfer to deferred capital grant	-	-
Transfer to unrestricted reserves to meet expenditure incurred	(19)	-
Balance at 31 July 2019	<u>76</u>	<u>95</u>
Represented by:		
Accumulated income	<u>76</u>	<u>95</u>
	<u>76</u>	<u>95</u>
Analysis by asset:		
Cash and cash equivalents	<u>76</u>	<u>95</u>
	<u>76</u>	<u>95</u>

The Instrument Fund comprises two donations which have been made to fund the purchase of two collections of brass and woodwind instruments. A number of Brass Instruments were purchased in 2018-19 leaving £76K in the instrument fund.

20 RESTRICTED FUNDS

	Other £'000	RCS Infrastructure Trust £'000	The Robertson Trust £'000	2019 Total £'000	2018 Total £'000
Balance at 1 August 2018	50	-	216	266	225
<i>Income</i>					
Funds/capital introduced	75	66	-	141	116
<i>Expenditure</i>					
Release of restricted funds spent in the year	-	(66)	(9)	(75)	(75)
Total restricted comprehensive Income for the year	<u>75</u>	<u>-</u>	<u>(9)</u>	<u>66</u>	<u>41</u>
Balance at 31 July 2019	<u>125</u>	<u>-</u>	<u>207</u>	<u>332</u>	<u>266</u>

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

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

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

21 SHARE CAPITAL

	2019 £	2018 £
<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)

22 LEASE OBLIGATIONS

	Student Accommodation £'000	Musical Instruments £'000	2019 Total £'000	2018 Total £'000
Future minimum lease payments due:				
Not later than 1 year	-	198	198	1,128
Later than 1 year and not later than 5 years	4,660	396	5,056	594
Later than 5 years and not later than 10 years	1,165	-	1,165	-
Total lease payments due	<u>5,825</u>	<u>594</u>	<u>6,419</u>	<u>1,722</u>

The RCS entered into an agreement for lease on 19 October 2017 for student accommodation within a development planned at Dunblane Street in Glasgow. It is planned that the lease will commence in September 2020 for a minimum of 5 years.

23 PENSION COMMITMENTS

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

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

The total pension cost for the year was :

	2019 £'000	2018 £'000
Contributions to STPS	1,033	978
Contributions to SPF	1,752	1,594
Contributions to UCRSS	<u>2</u>	<u>2</u>
	2,787	2,574
Decrease in pension provision	<u>(90)</u>	<u>4</u>
	<u>2,698</u>	<u>2,578</u>

The actual cost of contributions paid by the RCS during the year to the SPF was £985K.

There were no outstanding contributions payable at 31 July 2019.

Scottish Teachers' Pension Scheme

The RCS participates in the Scottish Teachers' Pension Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. A full funding valuation as at March 2016 has informed employer contribution rate increases to 23% from September 2019. The age discrimination case around transitional protection (McCloud/Sargeant) has caused work on this valuation to be paused pending a decision on remedies.

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

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

The RCS's level of participation in the scheme is 0.2% based on the proportion of employer contributions paid in 2017-18.

Notes to the Financial Statements (continued)

Strathclyde Pension Fund

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

The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, with the most recent comprehensive valuation being prepared as at 31 March 2017. The rates of contribution payable are determined by the Board on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme and prepare an interim valuation for the purposes of reporting under FRS 102 as at the end of July. The employer contribution rate for the period from 1 August 2018 to 31 July 2019 was 19.3% of pay. The employee contribution rate for the period from 1 August 2018 to 31 July 2019 was a variable rate dependent on the level of salary ranging from 5.5% to 9.9%.

Principal actuarial assumptions at the balance sheet date:

Financial assumptions

	2019	2018
	%	%
Future Pension increases	2.15	2.15
Future Salary increases	2.35	2.30
The Expected return on assets	2.20	2.80
Discount rate	2.20	2.80

The RCS expects to contribute £947K to its defined benefit pension plans in 2019/20.

Mortality assumptions

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

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

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

	2019	2018
	%	%
Equities	65	64
Bonds	24	22
Property	10	11
Cash	1	3

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	2019 Net (Liability)/ Asset £'000	2018 Net (Liability)/ Asset £'000
Fair value of employer assets	29,220	-	29,220	26,460
Present value of funded liabilities	-	25,808	(25,808)	(25,539)
Opening Position as at 31 July 2017	29,220	25,808	3,412	921
Service Cost	-	-	-	-
Current Service Cost	-	1,693	(1,693)	(1,600)
Past service Cost	-	61	(61)	-
Total Service Cost	-	1,754	(1,754)	(1,600)
Net Interest	-	-	-	-
Interest income on plan assets	831	-	831	726
Interest Cost on defined benefit obligation	-	746	(746)	(710)
Total Net Interest	831	746	85	16
Total defined benefit cost recognised in income and expenditure	831	2,500	(1,669)	(1,584)
Cashflows				
Plan participants contributions	322	322	-	-
Employer contributions	984	-	984	922
Benefits paid	(373)	(373)	-	-
Expected closing position	30,984	28,257	2,727	259
Re-measurements (actuarial losses)	-	-	-	-
Changes in demographic assumptions	-	(1,294)	1,294	(2)
Changes in financial assumptions	-	4,744	(4,744)	2,305
Other experience	-	-	-	(320)
Return on assets excluding amounts included in net interest	1,437	-	1,437	1,170
Total re-measurements recognised in other comprehensive income	1,437	3,450	(2,013)	3,153
Fair value of plan assets	32,421	-	32,421	29,220
Present value of funded liabilities	-	31,707	(31,707)	(25,808)
Closing position as at 31 July 2018	32,421	31,707	714	3,412

McCloud

When the LGPS Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Therefore, LGPS Scotland benefits accrued from 2015 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS England & Wales as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Strathclyde Pension Fund's actuary has adjusted GAD's estimate to better reflect local assumptions and circumstances, particularly those for employer level salary increases and Fund level withdrawal rates. The revised estimate results in increase to the liabilities (shown as a past service cost within the 31 July 2019 disclosures) of £61,000 for RCS.

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 2019, are not recognised in the Balance Sheet because there is significant uncertainty at that date as to the necessity for the RCS to make payments in respect of them.

	2019	2018
Guarantee to ELIA NE@XT Accelerator project (Completed 30 April 2018)	-	€80,000

25 RELATED PARTY TRANSACTIONS

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

The Board member and the significant related party transactions with their associated organisations during the year to 31 July 2019 are detailed below:

Member	Organisation	Relationship	Grant Received	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
Carol Main	Live Music Now!	Director	£ -	£ 2,303	£ 233	£ 894	£ -
Carol Main	Traditional Music Forum	Director	£ -	£ -	£ 20	£ -	£ -
Sharon Mair	BBC	Editor	£ -	£ 418	£ 1,298	£ -	£ -
Donald MacRae	University of Edinburgh	Honorary Professor	£ -	£ 4,518	£ 369	£ -	£ -
Jonathan Mills	University of Edinburgh	Honorary Professor	£ -	£ 4,518	£ 369	£ -	£ -
Jean Sangster	Dewar Arts Awards	Director	£ -	£ 318	£ -	£ -	£ -

All members above held their posts for the full year.

26 DISCRETIONARY AND CHILDCARE FUNDS

	Childcare £	Discretionary £	Total £
Balance unspent at 1 August 2018	774	5,918	6,692
Repaid during the year	(774)	(5,918)	(6,692)
Allocation Received in year	8,563	32,104	40,667
Expenditure	(1,052)	(39,234)	(40,286)
Virements	(7,130)	7,130	-
Balance unspent at 31 July 2019	<u>381</u>	<u>-</u>	<u>381</u>
Repayable as claw back	381	-	381

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

COMMITTEE MEMBERSHIPS

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

Academic Board

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

Audit

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

Finance & General Purposes

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

Buildings

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

Nominations

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

Remuneration

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

Health, Safety and Wellbeing

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

Fair Access

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

GOVERNOR ATTENDANCE AT COMMITTEE MEETINGS THROUGHOUT THE YEAR

	Board of Governors	Finance & General Purposes	Audit	Buildings	Health, Safety & Wellbeing	Remuneration	Fair Access	Nominations	Academic Board
Nick Kuenssberg	5/5	6/6		6/6		2/2		2/3	
Jeffrey Sharkey	5/5	6/6		5/6		2/2		3/3	4/5
Norman Gillies L	5/5								
John Hylands	4/5		3/3					3/3	
Tari Lang	2/5							3/3	
Mark Lelshman	4/5	4/5							
Donald MacRae	5/5	6/6		4/6		2/2			
Carol MaIn	5/5				4/4				
Sharon MaIr	4/5	1/6		0/6					
Jonathan Mills	1/5								
Ed Monaghan	3/5			6/6					
Jasmine Munns	3/5								4/5
Nick Olsen	5/5								
Mark Paris	1/5								
Agnes Robson	5/5		3/3			2/2		2/3	
Caroline Roxburgh	5/5	6/6	3/3						
Jean Sangster	4/5								5/5
Norman Sharp	5/5		2/3		2/4		3/3		
Marla Taylor	4/5	4/6				2/2			
Aidan Tepitzky	5/5								5/5
Colleen Toomey	2/5								

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