



**Royal Conservatoire  
of Scotland**

**A Company Limited by Guarantee**

**Annual Report**

**And**

**Financial Statements**

**For the Year Ended 31 July 2023**

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

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**PATRONS AND OFFICE BEARERS**

**PATRONS**

Patron	His Royal Highness The Prince Charles, The former Duke of Rothesay DAcad Hon RSAMD
President	Nicola Benedetti CBE DMus Hon RCS
Vice President	Dr Bridget McConnell CBE FRSE EdD
Vice President FR	Lord Vallance of Tummel DCon Hon RCS
Patron of the Junior Conservatoire	Nicola Benedetti CBE DMus Hon RCS

**OFFICE BEARERS**

Chair of Governors	Professor Dorothy Miell OBE FRSE (from 08/12/22) Nick Kuenssberg OBE FRSE DUniv (to 07/12/22)
Principal	Professor Jeffrey Sharkey
Secretary	Professor Vicky Gunn
Registered Office	100 Renfrew Street Glasgow G2 3DB

**PROFESSIONAL ADVISERS**

**Bankers**

The Royal Bank of Scotland plc 10 Gordon Street Glasgow G1 3PL	Bank of Scotland PO Box 545 Faryners House 25 Monument Street London EC3R 8BQ	Western Union International Bank Gmb UK Branch (WUIB) Western Union Business Solutions Worldwide House, Thorpe Wood Peterborough PE3 6SB
<b>External Auditors</b>	<b>Internal Auditors</b>	<b>Investment Advisers</b>
Chiene + Tait LLP(trading as CT) 61 Dublin Street Edinburgh EH3 6NL	Azets Exchange Place 3 Semple Street Edinburgh EH3 8BL	Evelyn Partners (to 31 July 2023) 206 St. Vincent Street Glasgow G2 5SG  Rathbones investment Management (from 1 August 2023) 10 George Street Edinburgh EH2 2PF
<b>Solicitors</b>		
Clyde & Co(Scotland) LLP 144 West George Street Glasgow G2 2HG	Pinsent Masons LLP 141 Bothwell Street Glasgow G2 7EQ	MacRoberts LLP Capella, 60 York Street Glasgow G2 8JX

## CHAIR'S REVIEW

It's my great pleasure to present this Annual Report for the first time as Chair of the Board of Governors. I was honoured and delighted to be elected to this role and to accept the baton handed over to me by our previous Chair, Nick Kuenssberg in December 2022. He had led the Board with verve and passion since 2016 and his untimely death in October 2023 has been cause for great sadness for so many of us. Nick was a formidable advocate for the students, staff and alumni of RCS and was justly proud of our role in delivering on both excellence and fair access. He will be missed deeply.

While this last year has continued to be a time of great challenge financially for this institution, and a period of continued recovery following the disruption and stress of the pandemic, it's also one in which we've been able to come together to finalise our new Strategic Plan to guide the future direction of RCS up to 2030. Under the headlines of People, Place and Promise, we lay out our vision of being *A sustainable community that nurtures, supports and celebrates inclusive art making from grass roots to world-leading performance and production*. I am very grateful to everyone who has contributed to the development of this plan, in particular Dr Lois Fitch, Deputy Principal, who has been key to bringing people together to generate the ideas and then shouldering the work of drafting through to the final version. It is now up to us all to bring this plan to life over the next phase of the life of RCS to 2030.

The vision and plan will help us deal with all the challenges and opportunities we're faced with in this environment of geo-political uncertainty and ever-reducing public funding. Despite these challenges we have managed to contain our operating deficit (before gains and losses) to £112K. However, we continue to face significant cost pressures, with for example increased expenditure on utilities and pay awards, which are running ahead of our current ability to grow our income. We have several plans (set out in the Strategic Plan – e.g., for new courses and increased fundraising) and bids in place to the RCS Endowment Trust and the Scottish Funding Council, which together will help address these challenges.

Against this backdrop, it's of particular credit to all who contribute to RCS that this institution is again ranked among the finest globally, taking 6<sup>th</sup> place in the QS World Rankings for Performing Arts Education. This recognition is hard-won, and I'd like to pay tribute to all the students, staff, governors, trustees, and other supporters of this institution for the essential parts each have played in making this achievement possible.

This past year has been very much one of transition following the pandemic to a period over which we strive to be increasingly sustainable, both environmentally and financially, as well ensuring we offer our graduates the training and experience they will require to be empowered and empowering artists out in their worlds.

RCS is very much an ensemble institution, just like the art-forms and disciplines we teach. As a result, there are so many people to thank for their contributions to the many successes of our last year: my fellow governors; the trustees; our academic and professional services staff and, at the heart of all we do, our brilliant students who shine while here and have such impact out in the world when they leave. I would like to thank Carol Main, who retired after 9 years of outstanding service as a governor. We are indeed a special place of people and of promise, one led skillfully by our Principal Professor Jeffrey Sharkey and his senior leadership team. Thank you all for your contributions to RCS.



Professor Dorothy Miell  
Chair

**REPORT OF THE GOVERNORS**

The Governors present their report together with the audited financial statements for the year ended 31 July 2023.

***Constitution***

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

The terms of the constitution, membership, powers and proceedings of the Board of Governors are currently set down in the Memorandum and Articles of Association as varied by, and in conformity with the provisions of, The Royal Conservatoire of Scotland Order of Council 2014 No. 268 as amended by The Royal Conservatoire of Scotland Amendment Order of Council 2020 No.3.

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 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. A descendant of one of 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 with the opportunity to ask questions.

***Principal activity***

The principal activity of 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 and education.

***Vision***

A sustainable community that nurtures, supports and celebrates inclusive art making from grass roots to world-leading performance and production.

***Mission***

For RCS's education engagement and research in the performing arts to be a catalyst to shape the future of art forms, artists and society.

***Values***

- Creative courage
- Compassion
- Constructive challenge
- Curiosity
- Craft, rigour and talent
- Community

## STRATEGIC REPORT

The Board of Governors approved the Strategic Plan 2023-30 in June 2023.

The vision, mission, values and objectives of our new plan can be viewed and will be evaluated through three perspectives: people, place and promise within which are grouped 9 high level objectives. These are noted below together with details of the strategy for achievement and development and performance throughout the year.

### People: Talent Development

***Objective 1: Talented and motivated staff who use artistic, research, professional and industry developments to enhance the Conservatoire's international leadership in multi-arts education from pre-HE to all ages***

The achievement of this objective is fundamental to the future success of the RCS as it underpins the key aspects of: quality of learning and teaching, advancement of research, enhancement of the student experience and maintains the institution's reputation as an international leader in the field.

To deliver this we will:

- Review, redesign and implement a performance review process;
- Design and implement a pay structure that reflects current and future needs of the RCS; the flexibility required of both roles and individuals to be able to respond to changing needs in the future; and encourages the embodiment of RCS values, behaviours, attitudes and performance;
- Develop and implement a pay policy that is externally competitive so as to recruit and retain those needed to ensure the RCS's success;
- Identify, design and implement career pathways that recognise the value individuals bring beyond the traditional hierarchy of progression and enables recognition of quality and added value, as well as options for talent development and succession planning;
- Broaden the range of non-pay benefits to reflect the differing range of priorities and value proposition our staff assign to benefits;
- Invest in staff development, widen the range of research activity and create more space for colleagues to bring their research into teaching content and practice.

The Board of Governors recognise that having a loyal, motivated staff who feel supported and empowered is fundamental to RCS's future success. A People and Culture committee has been established with an ambitious agenda which includes a range of workstreams including pay and conditions, staff development and career opportunities.

The annual National Student Survey overall satisfaction score were an improvement on the previous year with overall satisfaction at 73% (2022 63%) but it is recognised that there is work to do to understand areas where we need to improve.

RCS was again ranked highly in the QS World Rankings at No 6 (2022: No 5).

The QESR Phase 1 review occurred during the year and the outcome expressed confidence in RCS's quality arrangements. The review team identified as good practice that the institution has provided a range of opportunities available for students to participate in decision making including the Student Experience Forum, annual staff-student programme committees and student input to annual monitoring action plans.

RCS students, staff and alumni had high profile involvement at the Honours of Scotland ceremony at St Giles Cathedral, the Coronation celebration for King Charles.

Launched in 2014 our MEd in Teaching and Learning in the Arts is designed to meet the professional development needs of arts educators across all formal and informal education contexts and across all artforms. The MEd team and recent graduates are currently collaborating with the International Teaching Artists Collaborative, The Necessary Space and Creative Scotland in the development of a Scottish arts and arts education hub and working with Education Scotland on supporting the professional development of teachers in primary and secondary schools sector in the arts

In May 2023 our Athenaeum Fellows worked with colleagues at the University of St Andrews through SHARE (Sciences, Humanities and Arts Research Exchange) to host a Creative Health Symposium - an inter- and trans-disciplinary gathering to push forward the research and engagement agenda around 'creative health', one of the strands of our Innovation Studio pilot. Delegates from the Conservatoire and the University were joined by practitioners from industry for a day of discussion, presentations and performances, establishing a Creative Health research group to lead in this area. This work is being followed up at the Conservatoire by a commissioned project to unearth the many aspects of creative health in the professional work of Conservatoire staff, within and beyond the institution.

**Objective 2: Students and Graduates who create the future of performance and production, specialising and collaborating successfully**

To deliver this we will:

- Build on our previous innovative curriculum reforms to refine existing programmes and introduce new programmes which will reflect and respond to the changing landscape of performing arts education and industry skills needs;
- Be bold, collaborative, more efficient and provide agency for our students and graduates to create, develop and produce a more personal artistic vision, and ensure greater employability upon graduation and foster cross-disciplinary dialogue and more personal and career management techniques.

SOM undergraduate programmes have been re-validated for introduction in 23-24 and work continues for SODDPF validations to commence in 24-25. The new curriculum introduces a portfolio of professional preparation modules called *Inter-disciplinary and extended practice* which prioritise entrepreneurial, and student led activity themed around areas such as digital arts innovation, inclusivity, sustainability. Many colleagues who are currently at the forefront of the profession were heavily involved in the design of the new curriculum bringing their considerable expertise into this enhancement of the student experience.

Leveraging networks to broker opportunities for students to engage with industry, film and production students were this year able to spend time on a Russo brothers film set in Allanta where they received a unique insight into the world of filmmaking and spend time in the various specialist departments.

The ballet graduation performance involving a collaboration with production and choreography and involving the use of digital projection and involving mentoring from industry professionals is sector leading and RCS is the only UK school producing such work.

The digital 'On the Verge' festival which was born out of necessity during the pandemic is developing as an important strand within the MACCT programme with students creating original digital work. The skills gained equip students for future employment and develop self-promotion/entrepreneurialism.

Student and alumni successes of note which continue to maintain RCS profile include:

- Alumna Baichuan Hui (DPerf) who won first prize in the London International Music Competition and the Beethoven Young Musician Competition
- Alvin Ho (Leverhulme Conducting Fellow) won First Prize in the Princess Astrid Conducting Competition, hosted by the Trondheim Symphony Orchestra in Norway.
- Oliver Hak who the junior section of the Scottish International Youth Piano Competition in July, 2023.

Graduates of the first two cohorts of the BA Performance in BSL and English continue to change the landscape of performance raising the profile of Deaf performance and bringing it to a wider audience including the Edinburgh Deaf Festival curated by alumni Jamie Rea which runs alongside, and partners with, the Fringe.

**Objective 3: RCS as partner-of-choice for prestigious forward-looking organisations, artistic leaders and entrepreneurs**

To deliver this we will:

- continue to cultivate our relationships with organisations at all levels from national institutions and the national performing arts companies through to emerging artists and companies via our innovation studio and entrepreneurs in residence programme to enhance the learning, networking and future employment opportunities for our students and seek to develop international partnerships which can leverage the RCS's expertise and international standing.

RCS is in advanced discussions with Sharjah Performing Arts Academy (SPAA) in the United Arab Emirates to develop a partnership which would see the provision of support and advice from RCS to SPAA to assist it to expand its operation.

Discussions are also underway with Scottish Opera to re-shape opera provision at RCS and deepen the relationship in a shared enterprise involving masters students on the brink of the profession.

The Conservatoire is a partner-of-choice for highly innovative organisations who want to make a difference. In 2022-23, we entered into a partnership with Starcatchers to deliver 'the Voice of the Child': groundbreaking research into how young pre- and non-verbal children can exercise their rights - as established in the UN Charter on the Rights of the Child - through an arts based framework, RCS staff have worked closely with colleagues at Starcatchers to develop research that is already informing a range of resources for early years practitioners and arts organisations.

We are aware that the fastest developing industry in the creative arts in Scotland is film and production, with many new and established companies choosing to film, produce and complete post-production here. As a consequence we understand where the skills gaps in the workforce are. Dialogue with a number of partners in the screen sector such as Screen Scotland, BBC Studios and Blazing Griffin about how the sector unites to meet the growing demand for talented and skilled employable professionals has been stepped up and has informed the re-design of the filmmaking course, as well as thinking on development of cognate programmes at Masters level such as music for film and screenwriting.

During the year the Principal was elected as Vice-President of the Association of European Conservatoires which extends the reach and networking capabilities in behalf of RCS.

New Memoranda of Understanding have been signed with the following institutions during the year:

- Hong Kong Academy for Performing Arts
- Princess Galayani Vadhana Institute of Music (Thailand)
- Manhattan School of Music
- Eastman School of Music, University of Rochester

The Memorandum of Agreement with the National Piping Centre pertaining to the delivery of the BA Traditional Music (Piping) and Masters provision in piping was renewed.

#### Place: Size and Scope of RCS

***Objective 4: Playing a prominent role in national cultural leadership, as well as enhancing our global artistic and educational impact. Being active citizens of Glasgow, as well as having a positive creative impact wherever we are.***

To deliver this we will:

- Be strong advocates for the importance of high-quality arts education and to build our audiences both in person and to widen that audience base through the production and promotion of selected digital content;
- Engage more consciously with diverse local communities in terms of both educational outreach and performance activity to strengthen those links and to widen the recruitment pipeline;
- Continue to play a lead role in the work of Music for Scotland to ensure that momentum is maintained in the provision of sustained access to music education;
- Engage with Glasgow City Council and other partners to explore future estate development options which can contribute to the re-generation of the city centre and in particular to seek opportunities within the Golden Z initiative;
- Transform the existing Transitions programme to improve access pathways to and opportunities in RCS undergraduate programmes;
- Explore opportunities for RCS to develop a more regular presence in other parts of the country.

Our pre-HE activities continue to evolve and as the range of SCQF credit-rated provision expands, there is an increase in students achieving accreditation at levels 5 and 6. A partnership has been established with Japan Musical Youth Theatre, where we have been delivering on-line dance and musical theatre jazz dance workshops and we provided junior acting students to the University of Glasgow medical faculty in the role of patients for final exams. Working with the recruitment team taster and information sessions have been delivered in 39 schools and venues across the central belt. In another initiative to improve the application pipeline the Head of Production has undertaken intensive engagement with schools to encourage participation in the technical and production programmes.

RCS is a founding member of the Music Education Partnership Group and takes a leading role in the Group's activities, this past year hosting a successful teacher workshop on Composition in secondary schools.

The Principal is a member of the National Partnership for Culture which has been charged with supporting delivery of the vision, ambitions, aims, and actions set out in the Culture Strategy, making recommendations to the Scottish Government that would support a more strategic and connected approach across government, the sector, and beyond, to ensure that the transformative potential of culture can be maximised for everyone.

As part of the transformation plans being formulated for the Transitions programme consideration is being given to the introduction of a Community Arts Practice undergraduate degree.

For the culmination of RCS 175<sup>th</sup> Anniversary, the RCS Symphony Orchestra combined with musicians from Traditional Music, Jazz and Vocal Studies departments joined forces to perform music from Martyn Bennett's GRIT album. Conducted by RCS staff member, and orchestrator of GRIT, Greg Lawson, the



young musicians performed to sold out audiences in RCS and again with a performance in the RSNO New Auditorium, as part of Celtic Connections.

The RCS Symphony Orchestra visited City Halls in May 2023, the first time performing there since before the pandemic. Under the baton of Visiting Professor of Conducting, Martyn Brabbins, they performed Beethoven's Piano Concerto No.3 and in the second half were joined in partnership by students from Sibelius Academy in Helsinki to perform Mahler's Symphony No.5.

***Objective 5: Becoming an exemplar for our sector and nation in sustainable, ethical and inclusive initiatives across our portfolio, estate and community.***

To deliver this we will:

- Reflect changing industry practices in terms of production methods, materials and in relation to rehearsal and onstage delivery and behaviours. This will address issues such as environmental sustainability and embrace developments in digital production.
- Diversify genres and repertoires to create more inclusive curricular content and production output, review and select organisations and individuals we will work with to enhance and promote this agenda further.
- Embed into practice the themes of sustainability, ethical and inclusive practice included in the curricular review;
- Develop and start to deliver a plan to achieve carbon net zero emissions.

As part of the curriculum review a new module entitled 'creative citizenship' has been developed and is designed to support students to understand the most effective ways of working together in community, safeguarding their own well-being and that of others, and managing inter-personal dynamics as preparation for successful professional life. Linked with this, work has been undertaken during the year to strengthen regulatory procedures, including student complaints, appeals, support to study and disciplinary procedures. Learning Agreements and mental health support have been supported better with staff resource, and training offered to staff across a range of issues from anti-racist practice to informal resolution of complaints.

The School of Music is diversifying repertoire in large ensemble projects: aiming to present at least one work by a composer from an under-represented group in every large ensemble concert; and to diversity conductors used. The School is also looking at ways of ensuring that students engage with and present music by under-represented composers. in their end-of-year exams.

In curricular development the School of DDPF are undertaking EDI/Anti-Racism training for staff which will lead onto consideration of repertoire and casting, looking at ways to approach more 'canonical' texts that are more inclusive and anti-racist and also exploring ways to expose students to a more diverse set of plays even when the cohorts don't have the people necessary to cast them.

Sustainability initiatives introduced during the year across a range of activities are highlighted in the environmental sustainability section below.

A digital development manager with both academic and technical skills background has been engaged with a focus on supporting embedding digital skills across the RCS community and developing digital strategy

An RCS Gender Based Violence (GBV) First Responder Network has been established following training of staff by colleagues from Glasgow & Clyde Rape Crisis, to provide First Responder support to survivors of GBV. The Network will provide ongoing support and training to First Responders.

***Objective 6: Assuring a financially sustainable institutional ecology and estate to deliver a prosperous and artistically rich future for the organisation, community and Scotland.***

To deliver this we will:

- Grow the film programme;
- Develop cognate provision in the area of film e.g. screen-writing, composition for screen, creative production;
- Grow the postgraduate population;
- Seek efficiencies in production throughput;
- Re-calibrate the programme portfolio leading to opportunity to re-purpose part of the estate;
- Introduce a fee reset for incoming students;

The undergraduate film programme is being re-designed in partnership with industry professionals.

As part of the curriculum review it has been identified that the production throughput is not sustainable either financially or in terms of the excess workload it places on students and staff. The production calendar has therefore

been re-assessed to identify where it can be streamlined. This has resulted on a focus on supporting final year productions and developing a festival which will enable students at an earlier stage of study to experience a proto-professional environment. Certain postgraduate provision is also under review with an objective of reducing the volume of production output.

A new student recruitment strategy is under development to map out the size and scope of future student numbers covering: portfolio, UG/PG balance and mix of tuition fee categories.

The tuition fee reset was agreed by the Board and has been published for students applying for entry in 2024-25.

#### Promise: Growth and Ambition

#### **Objective 7: Delivering ambitious philanthropic investment in student and staff success, to supplement core funding and generate more competitive scholarship capital.**

To deliver this we will:

- Seek to make the case, in a crowded marketplace that, as the national conservatoire, RCS is worthy of support to help it maintain its excellence and high international standing as a cultural asset for Scotland;
- Invest further in our development and fundraising function to build the capacity necessary to grow and sustain philanthropic giving through cultivation of supporters and growing the donor pool, further development of links in North America and deepening engagement with and deployment of the influential alumni community.

During the year the Board decided to disaggregate the development and fundraising committee so that there would be an increased focus on fundraising, which included investment in additional resource aimed at securing major donations.

Working with a generous new donor the team has developed, managed and stewarded the creation of a Fund which supports programme activity and projects across both the Schools of Music and DDPF giving opportunities not covered within departmental budgets to students, projects and guest artists.

Alumni Relations have been strengthened, widening and fostering links with RCS's UK and international alumni communities. This activity has involved:

- Developing and delivering alumni events in London and Edinburgh with Autumn events planned for New York and Glasgow;
- Developing and activating a new Ambassador Strategy. Working with Directors of Schools and Heads of Programme across RCS to identify alumni to help amplify and enhance the understanding of RCS across the world, build connections and developing a dynamic student and alumni community. A microsite and aligned activity has been developed with Ambassadors now in place across programmes and in key geographical locations.

The RCS International Advisory Board (IAB) continues to raise awareness and funds in North America. Recent activities include:

- Fund raising for Film Students to attend the Toronto International Film Festival
- Establishing a St Louis St Andrew's Society Scholarship
- Co-hosting an alumni event in NYC in October
- Supporting US Artists in Residence to visit RCS and deliver new learning experiences for our students.

The Development and Marketing teams have also worked on a Donor Impact Report which showcases the impact philanthropic donations have made to the lives of students and RCS as a whole.

#### ***Objective 8: Delivering growth in identified areas of the portfolio to drive sustainability of the institution, local and national creative economy, and prepare employable artists to meet the demands of the creative sector.***

To deliver this we will:

- Develop and introduce Low Residency Masters (LRM) programmes;
- Create a specialist support service providing expert guidance in freelancing and business skills for students and alumni;
- Embed the Innovation Studio;
- Establish a system to capture, articulate and share the extensive engagement activities of RCS staff and to draw these into stories and case studies that help us to demonstrate and celebrate the achievements of our staff and the impact the Conservatoire has on civic life;
- Strengthen the Engagement Infrastructure at RCS to enable a thriving environment through the development of an IP Policy and an Engagement Workload Modelling structure for staff;

- Create a visible shop window for the range of engagement services offered by RCS.

We have scoped four LRM programmes initially and have begun the market research to establish potential demand and we will pursue our established Quality Assurance processes to bring these to market, with a view to matriculating students to the courses from September 2025.

Our enterprise support has expanded and developed over the years of the Universities Innovation Fund. In 2022-23 we took stock in an internal service review and, as a result, established a contractual partnership with the Creative Entrepreneurs Club to take forward the next stage of our development: a Creative Support Service within the overall ambitions of the Enterprise Campus initiative. We have also completed the groundwork for a Creative Founders Fund, a joint innovation fund for early-stage projects with potential to scale impact in creative arts, arts and humanities. A partnership between University of Glasgow, Glasgow School of Art, and the Conservatoire, this will establish a fund to support innovation and entrepreneurship across the three HEIs. The fund will target activities that help develop early-stage ideas into scalable propositions; and/or provide seed funding to de-risk projects for further applications for grant funding. This project will help to establish a pipeline for scalable staff ventures for the very first time.

**Objective 9: Generating significant income and commercial opportunity through the expansion of areas such as specialist short course provision.**

To deliver this we will:

- Identify growth areas in the short course portfolio including the expansion of the micro-credentials portfolio, on-line and blended programmes;
- Expand the scale of the junior drama, dance, production and film provision.

The portfolio continues to expand both strategically and in response to growing market appetite for short courses. We have developed a significant number of new programmes over the course of the year and invested in staffing up and marketing resource to support their introduction and boost the number of participants the success of which as evidenced by a healthy increase in the number of participants in summer 2023 programmes.

A workload allocation model has been developed to facilitate more effective deployment of staff across a wider range of academic activity and a review of the Options portfolio has been undertaken to identify content which can be monetised and delivered as short courses.

#### **Challenges presented by Geo-political situation, the cost of living crisis and Brexit and mitigating actions**

The challenges presented by these are considerable and often linked. RCS continues to have trouble recruiting enough Scots to undergraduate programmes to replace the loss of funded EU undergraduates post-Brexit, while also trying to fill extra places provided across the sector in support of Scottish Government policy to extend opportunity. The effect of this has been mitigated in the short term by RCS participation in the Ukrainian refugee scheme. Although the impact was delayed due to forward contracts, the spike in utility costs adds significantly to overheads. The current economic environment of high interest rates and stubbornly high inflation has put upward pressure on pay awards, RCS' largest cost, well beyond the levels of grant awards. Although RCS tracks the sector pay award percentage, staff recruitment and retention is becoming more challenging as the gap widens between public and private sectors and between RCS and larger institutions. Taken together these factors all contribute to the deficit position RCS is in. The mitigations to address these issues include a focus on diversification and growth of other income, and exploring ways in which we can more effectively recruit, retain, reward and deploy staff.

#### **Environmental Sustainability**

RCS reports annually under the Climate Change Scotland Act 2009 and has shown a steady downward trend in Scope 1 and Scope 2 emissions discounting the distortion caused by the period during and immediately after the pandemic lockdown. We recognise that RCS lacks expertise or capacity to develop a CNZ Plan and are in the process of seeking full time Carbon and Sustainability Manager to help map out our current baseline consumption across the institution develop the plan for carbon reduction. Our target is to have a plan in place by October 2024.

Additional initiatives introduced during the year include:

- A sustainability policy and objectives have been agreed;
- Engagement with a local Community Interest Company called Re-Set which both sustainably removes old stage sets and also provides a source of materials for future productions;
- Pilot productions undertaken according to the Theatre Green Book guidelines on sustainable production with the aim of expanding the number over time;
- Procurement emphasis on sourcing local products and services where possible;
- A tender process is underway for an ambitious Solar PV project on practically available roof space across both Renfrew St and the Wallace Studios;
- Continuation of the LED replacement programme;

- Updated RCS Travel Policy to encourage a green-thinking approach to business travel;
- Participation in a Scottish Creative Arts Sector initiative looking at the feasibility of centralised sets/props resource;
- Most governing body sub-committee meetings remain online with less frequent in person meetings;
- A change of investment management service to a company which we think can help us to develop our investment policies in terms of ESG and to improve transparency and engagement with staff and
- Delivery of Carbon Literacy training project with 72 staff and students completing the programme with plans to continue to roll this out further across the institution;
- Introduction of termly 'Town Hall' meetings to engage staff and students in sustainability initiative and encourage feedback and new ideas;
- An induction for new students about working and studying sustainably in Glasgow is commencing this coming academic year. All new students from 2023-24 will receive a sustainability session which will include details of the sustainability initiatives/scene in Glasgow as part of induction. They will also receive a copy of *What Can Art Do? Making Performance in Times of Crisis*, a publication which brought together a compendium of and reflective insights into the many projects and initiatives which RCS staff, students and collaborators were involved in in and around the COP 26 conference which includes a list of resources for performing artists to support environmentally sustainable practice.

**Greenhouse Gas Emissions**

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 requires all non-quoted large companies to report the greenhouse gas emissions for which they are responsible and on any environmental matters which are material to the company's operations. This disclosure complies with the requirements of Streamlined Energy and Carbon Reporting (SECR).

Greenhouse gas emissions by year (tonnes CO<sub>2</sub>e):

Emissions source (tCO <sub>2</sub> e)	2022/23	% of Total	2021/22 (restated)	% of Total
Fuel combustion: Natural gas	425	56.1%	479	60.1%
Purchased electricity	333	43.9%	318	39.9%
<b>Total emissions (tCO<sub>2</sub>e)</b>	<b>758</b>	<b>100.0%</b>	<b>797</b>	<b>100.0%</b>
<b>Intensity: (tCO<sub>2</sub>e per square metre)</b>	<b>0.0336</b>		<b>0.0353</b>	

The 2020/21 emissions factors were used in error to calculate Scope 1 and Scope 2 emissions reported in 2021-22.

Energy consumption by year (kWh):

Energy consumption by year (kWh)	2022/23	% of Total	2021/22	% of Total
Natural Gas	2,326,707	59.1%	2,624,438	61.4%
Purchased Electricity	1,611,942	40.9%	1,646,328	38.6%
<b>Total</b>	<b>3,938,649</b>	<b>100.0%</b>	<b>4,270,766</b>	<b>100.0%</b>

We are unable to provide figures for the consumption of fuel for the purposes of transport due to system limitations. We do not have responsibility for any emission sources that are not included in our Financial Statements. Our greenhouse gas emissions have been calculated using HH (half-hourly) data and utility bills in line with the methodology set out in the UK Government's Environmental Reporting Guidelines 2019.

Estates and Infrastructure Developments

During the year several vacant properties in the vicinity of RCS have been viewed for potential estate expansion. This is one aspect of RCS's engagement with the wide-ranging Glasgow City Council 'Golden Z' initiative to regenerate the main axes of the city centre. However, this is contingent upon conclusion of size and scope aspects of the strategic plan to specify the scale of the requirements and to provide the basis for a business case and full option appraisal will be commissioned at an appropriate time. In the meantime, existing space use is being interrogated to seek more efficient deployment also taking account of planned changes to programme provision in the short term and the impact of hybrid-working on current designation of use. RCS extended its lease with BASE taking effect from academic year 2023-24 in response to the increasing pressures in the student accommodation market.

Outcome Agreement

The Conservatoire's Outcome Agreement (OA) for 2022-23 focused on challenges in recruitment of students, including from disadvantaged backgrounds, in the aftermath of the global pandemic. During the year funding was received from SFC funding to develop a National Programme for the Performance and Production Arts (Transitions), aimed at increasing learners' readiness for audition across the performing and production arts disciplines. It is envisaged that this is a timely mitigant, and that SIMD20 recruitment to HE programmes will improve in ensuing years. In 2021-22, bridging provision was particularly effective in the area of teacher training, supporting all seven participants into HE music education degrees, five of whom began study at RCS in 2022-23.

The development of the Conservatoire's Strategic Plan was also covered in the OA 2022-23, in the context of reflection on the ongoing undergraduate curriculum review. Commitments were made to a thoroughgoing review of production throughput, to lead to a more manageable, efficient, but still diverse learning experience for students. The positive impacts of this will be implemented through the newly reviewed DDPF provision. A particular need to focus on developing provision responsive to growth areas in the cultural economy, notably film and production in Scotland, is central to the curriculum review project. OA 22-23 also committed to developing new academic provision, which would diversify to modes of delivery in the portfolio, including conceiving new low-residency Masters programmes delivered in a blended format, with most of the learning undertaken online, supported by intensive residential periods in Glasgow, likely in the summer months each year. These will be one year courses, full-time, seeking to engage an international market in particular.

Analysis of poor National Student Survey outcomes for 2021-22 suggested that clearer communications with students, and better 'closure of the feedback loop' – i.e. informing students effectively when actions had been completed in response to their feedback – would lead to better outcomes. Each School devised an action plan and monitored progress throughout 2022-23. The results for 2022-23 NSS show a 10% improvement in overall student satisfaction with their courses. Contrary to the disappointment of NSS results in 21-22, the outcome of the Conservatoire's participation in the Quality Enhancement and Standards Review process (phase 1), conducted by Quality Assurance Agency Scotland in December 2022 was very positive, commending the Conservatoire in particular for its student engagement initiatives. The student partnership agreement was noted as an example of good practice.

The OA 2022-23 gave examples of student success and industry partnership across programmes, providing a window to work-based learning that is a hallmark of every programme at RCS. The reporting on Research Outcomes focused on the positive REF result, noting a modest uplift in Research Excellence Grant funding as a result of its performance in the national exercise. Case studies outlining public engagement and creative enterprise work (funded by Universities Innovation Fund) involving both students and staff were required as part of the agreement, and these focused on the developing RCS Innovation Studio, Make it Happen fund and the Knowledge Exchange Concordat implementation plan.

Finally, graduate outcomes data demonstrated the continued success of RCS graduates in gaining highly-skilled, long-term employment after their studies. The latest data obtainable related to graduating cohorts of 2019-20, the first year to be adversely impacted by Covid-19, which prevented final year student performances from March 2020 onwards. Climate emergency data reporting also increased in the 2022-23 OA, as the Scottish Government and SFC move towards expecting carbon neutral plans from institutions by November 2024.

The Board of Governors approves both the Outcome Agreement and the associated annual self-evaluation report prior to submission to SFC. RCS's 2022-23 Outcome Agreement and self-evaluation report can be found at: [Annual Accounts & Outcome Agreement - Royal Conservatoire of Scotland \(rcs.ac.uk\)](https://www.rcs.ac.uk/annual-accounts-and-outcome-agreement)

#### Future prospects

RCS has made a deficit of £722,000 in 2022-23. There has been an overall reduction in cash and short-term investments for the year of £1.2M. (See financial commentary on page 15).

The budget deficit for 2023-24 is £1.2M, which includes a bid RCS was invited to submit to the SFC for additional Small Specialist Institution grant of £1M for a period of three years initially to assist with transformation to ensure future financial sustainability. During this time a range of initiatives are planned which will grow and diversify income including: expansion of pre-HE and short course activity, tuition fee reset, introduction of low residency masters programmes, an increase in postgraduate student numbers, growth in philanthropic giving and development of income streams from international partnerships. The objective is to return to an operating surplus in 2025-26. However, there remain strong economic headwinds including on-going high inflation and energy costs also reflected in pay negotiation parameters and the likelihood of a material increase in STSS employer contributions in 2024 with no certainty of central support with the extra cost. In addition to these economic factors, student recruitment in controlled subjects continues to cause concern with a significant shortfall apparent in both the BEd and the PGDE programmes for the 2023-24 intake. (See reserves and going concern on page 24).

#### Academic developments

The following provision underwent review successfully:

- BMus and BEd programmes and the BEd was also re-accredited by the General Teaching Council of Scotland;
- Interdisciplinary and Extended Practice (IXP) provision (formerly Options).
- BA Performance was re-launched after a pause of one year with an intake of 10 students. This programme only recruits triennially;
- MA Psychology in the Arts commenced with an intake of 11 students;
- CPP intake has been paused for a second year and it will be reviewed alongside the rest of DDPF undergraduate provision;
- We continue to make progress on our QESR (Quality Enhancement and Standards Review) action plan to address recommendations made by the QESR review panel). This includes progress on an associated QAH (Quality Assurance Handbook) action plan with a new section related to Dealing with Student Complaints and Appeals and a revised Institutional Partnerships section being approved by Quality and Standards Committee.

#### Access and employment of disabled persons

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 the overall level of accessibility. There is an Access Policy in place for members of the public with disabilities who attend events at 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 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 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.

#### Promotion of Equality of Service under the Equality Act 2010

The RCS [Mainstreaming Equality Report 2023](#) provides information on key ways in which we promote equality of delivery of service to different groups and have due regard to the public sector equality duties under the Equality Act 2010. Our current [Equality Outcomes 2021-2025](#), which focus on our priority areas for action, also provide information on success measures, strategic links, and how the Equality Outcomes link to the general equality duty of the Equality Act 2010.

These documents are underpinned by a wide range of work and initiatives that include:

- Focused and challenging training for staff and students;
- Involvement in sector wide developments in EDI issues (i.e. equality impact assessment processes);
- Working with departments and programmes to facilitate increased learning around race and diversity;
- Development of in-house networks for staff and students that will feed back into policy development;
- Monitoring, analysing and publishing gender pay gap and occupational segregation information in terms of gender, disability and race;
- The establishment of a People and Culture Committee that is responsible for overseeing, monitoring and reviewing EDI strategies, activities, regulatory reports and agreed performance indicators on recruitment, development, absences and health, safety and wellbeing relating to the employee and student life cycles. The committee is chaired by a member of the Board of Governors;
- An enhanced role of the Disability Adviser who prepares an annual report, which compares the progression and degree results obtained by disabled and non-disabled students, and the admission outcomes of disabled and non-disabled applicants.

#### Fair Work Practices

The People and Culture Committee, comprises certain Board members with representatives of the CSMT, staff and Trades' Unions in attendance, who will drive forward the strategic direction in areas relating to people and culture – specifically recruitment and induction; learning, training and development; recognition and reward; staff and student voice; people infrastructure; equality, diversity and inclusion; and health safety and wellbeing. Each strand will have an action plan identifying key projects over a 7-year period that aim to enhance the work and study environment in line with the Fair Work Convention.

A Staff Forum is being relaunched with a revised remit, which will provide a cross-institution platform for staff voice at an operational level and will work to improve communication and effectiveness of the institution, whilst also working to redefine its sense of community post-covid 19.

In line with the Fair Work Convention, RCS has committed to alignment with the Living Wage Foundation rates of pay and is working towards Living Wage Employer recognition. RCS has held Healthy Working Lives Bronze award for several years and was close to achieving the Silver award when the Scheme was paused and then ceased. However, wellbeing practices continue to be based around its founding principles and activities.

Health, Safety, Well-being and Child Protection

Following the removal of covid-related restrictions the HSW team continued to provide equipment, guidance, and assistance for those who work from home or on a hybrid basis. The HSW team has provided training opportunities for staff relating to positive mental health and wellbeing, with a particular focus on managing their wellbeing whilst supporting students who are experiencing poor mental health. This will be developed further this year.

The 5-year Health, Safety and Wellbeing Strategy implementation has commenced with KPIs agreed, noise assessments restarted and staff trained to assist with noise assessments.

The Health, Safety and Wellbeing Action Groups have been restructured following feedback from staff while the groups internal audits have been reviewed and refreshed.

A significant effort has been put into increasing staff training compliance with full-time completion rates very good. Part time staff training completion rates have improved and will be a focus for this year for further improvement.

Refresher training for Designated Child Protection Contacts from the NSPCC has been completed.

**Financial Results**Financial Summary

	2023	2022
	£'000	£'000
Income	27,650	26,248
Expenditure	(27,759)	(27,933)
Deficit before other gains and losses	(109)	(1,685)
Loss on disposal of fixed assets	(3)	(6)
Realised gain on investments	-	50
Deficit before unrealised gains and losses	(112)	(1,641)
Unrealised loss on investments	(603)	(443)
Deficit for the year	(722)	(2,084)
Operating deficit (excluding gains and losses, endowment and restricted income)	(566)	(1,927)
Capital expenditure	704	473
Cash and cash equivalents	5,737	6,928
Net current assets	4,803	5,272
Pension Asset/(liability)	-	-

The deficit for the year before gains and losses is £112,000 (2022: a deficit of £1,641,000).

The changes in market conditions, in particular the sharp increase in interest rates, significantly reduced the FRS102 pension service charge and net interest to £199,000 (2022: £2,327,000) a positive impact for the year of £2,128,000. Added to this, a provision was made last year for clawback of grant due to under enrolment of students in previous years which was higher than required which has resulted in a positive movement of £681,000. Box office activity also picked up, generating additional income of £147,000 and there was £110,000 less cost incurred in relation to streaming of performance output. Bank interest received benefited from the rise in interest rates by £73,000. Finally, a new restricted donation of £403,000 was received during the year in support of vocal studies activities.

Set against this, the impact of the annual pay award, a further in-year award and increases in staff numbers and associated on-costs added £1,376,000 to expenditure. The previous year included an insurance claim of £100,000 and this year was a fallow year for Theatre and Orchestral tax relief as the reference period fell during lockdown (2022: £101,000). A full year of costs were incurred in relation to new systems implementation of £103,000 and utility costs increased by £156,000.

Unrestricted general reserves before pension asset and capital asset donations at the year-end were £12,352,000 (2022: £12,560,000).

The position relating to RCS's involvement in Strathclyde Pension Fund has improved compared to the previous year due to the significant increase in the net discount rate (discount rate net of inflation) offset by an increase in the CPI assumption. The FRS 102 report at the year-end showed a net pension asset which had increased compared with the previous year, but it should be noted that the pension asset has not been recognised and details are set out in accounting policy note 1h and note 23 to the financial statements.

Cash on hand including short term investments at 31 July 2023 was £5,737,000 (2022: £6,928,000). Although £150,000 of funds were added to general investments at the beginning of the year, there has been a net reduction in cash over the year of £1.2M.

Summary of Investment Performance

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
%	%	%
-2.6	-3.2	-0.6

There are three portfolios which are identical in terms of asset allocation, stock selection and the weightings in individual holdings. The General Fund provides income for unrestricted use within RCS; the Prize Fund provides income to fund annual prizes and the Piano Fund provides income in support of instrument leasing charges. During the year two further portfolios were created from donations received, one as a permanent endowment and one as an expendable endowment.

The investments have returned -3.2% for the year to 31 July 2023, compared to the benchmark which returned -2.6%. The investments produce an estimated annual gross yield of 4.1% which is an important part of the total return. During the year, a recovery in equity markets, particularly in Europe, was offset by significant weakness in bond markets. Throughout 2022 and into 2023 central banks around the world increased interest rates to address stubbornly high inflation rates. This impacted portfolio performance, particularly in the second half of 2022. The investments are well diversified and positioned against a fluid economic and political backdrop. RCS has divested from direct investment holdings in oil, gas and mining stocks and has invested a proportion of the portfolios in renewables which is illustrative of RCS's wider engagement with, and commitment to, the sustainability and carbon reduction agenda. This needs to be taken into account when considering performance against the benchmark.

**Risks and Uncertainties**Strategic Risks

The Board of Governors has adopted a Risk Appetite Statement which defines risks that RCS is willing and prepared to take, risks that RCS needs to reduce and risks that 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 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.

RCS has 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 (incorporating digital innovation in academic and support functions)	High
International development and growth	Medium
Student experience	Low
Reputation (new)	Low
Financial stability and flexibility	Low
People and culture	Medium
Major projects	Medium#
Physical environment	Medium
Virtual environment – cyber resilience and security	Low

# Risk appetite depends on the nature of the project.

The corporate risk register is being reviewed to ensure that the risks are aligned with the new strategic plan. In this transitional period the key risks and mitigants noted below reflect both on-going risks and those identified in relation to the new plan.

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 and Risk Committee on the controls and mitigating actions that are in place and planned.

The higher strategic risk areas are regarded as being:



***Failure to establish the optimal size and scope of provision and recruit a sustainable student population in terms of quality and diversity***

The effects of Brexit and the pandemic continue to create challenges around recruitment of funded numbers in both controlled and uncontrolled subject areas – the pipeline is not strong enough and the impact of lack of access to sustained quality pre-HE performing arts education and an apparent widespread lack of interest in pursuing teaching as a career has led to applicants under-prepared and by extension a similar impact on SIMD applicant numbers and quality or in the case of teacher training a large drop off in applications. Competition for home students within the UK conservatoire sector has become more intense, with scholarship awards playing an increasingly important factor in student decision-making.

RCS mitigates this risk through:

- Assessing its programme portfolio to ensure that it remains attuned to the marketplace across the different tuition fee categories and is aligned with the evolving employment opportunities within the performing arts industries;
- Development of a new recruitment strategy;
- Using growth of pre-HE activities as a showcase for, and to build the pipeline to, UG study
- Offering extra bespoke support for Scottish applicants approaching the necessary standards at audition
- More focus on post-offer conversion activity;
- Curriculum review to enhance programme offerings and stimulate more diversity;
- Transitions/widening access to the creative industries programme and other schools outreach work
- Developing bilateral arrangements with European institutions to continue to provide exchange opportunities which could lead to future recruitment and engaging with the Turing Scheme to build relationships with a broader range of international institutions;
- Extending our international reach for high quality students;
- Promotion of RCS international reputation and high ranking;
- Focus on growth of scholarship funds.

***Failure to maintain financial viability in the short to medium term***

RCS is forecasting a deficit in each of the next two years and plans to return to surplus in 2025-26 through the implementation of a range of growth initiatives.

RCS mitigates these risks through:

- Dialogue with SFC, through which RCS has been invited to submit a bid for additional Small Specialist Institution grant which will support the institution financially as it implements income diversification initiatives;
- Engagement with SFC to make the case that clawback of grant should be mitigated in recognition of the particular challenges RCS faced due to Brexit and the pandemic;
- Retention of Ukrainian students recruited in Scottish Government scheme in 2022-23;
- Expansion of spaces taken under lease to provide more opportunity for RCS students to secure accommodation;
- An increase applied to controllable tuition fee level above sector-average for 2023-24 with a re-set to be implemented in 2024-25 which will lift fees to a level more on a par with the wider UK conservatoire sector;
- Increased investment in and focus on expansion of pre-HE and short course activities to generate increased financial contribution;
- Seeing to develop international partnerships which will leverage RCS's reputation and expertise and generate a new income stream;
- Working with the HE sector to lobby for mitigation of the impact of the increase in employer contributions to the Scottish Teachers' Superannuation Scheme which may occur in April 2024;
- Close monitoring of cash balances and cash flow projections;
- Availability of a general investment portfolio which could provide a cash buffer if required;
- Advocacy with the RCS Endowment Trust to continue to provide financial support to RCS Trust to mitigate loss of other donations for scholarships.

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

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

- The impact of embedding of tuition fee reset which is introduced for incoming students from 2024-25
- Development and introduction of a suite of low residency master's programmes for 2025-26
- Continuing institution-specific lobbying as the nation's only conservatoire;
- Investment in the development and fundraising operation to boost philanthropic giving has been increased and more is planned;

- Continue to market RCS positively internationally;
- Innovations in curriculum and new programme offerings to remain relevant and attractive in the marketplace;
- Continue to scenario plan for a range of possible futures;
- Review of pension provision.

#### ***Lack of adaptive capacity to meet challenges and objectives***

RCS must attract, retain and develop talented staff across the range of its disciplines and professional services to support the successful implementation of curricular change, development and introduction of new and innovative programmes and the diversification of income streams. This is against the backdrop of staff recruitment challenges as differential with the private sector and larger HE institutions grow and diminishing employment opportunities in the performing arts due to the challenging economic environment leading to reduction in the talent pool as work is sought out with the performing arts.

RCS mitigates these risks through:

- The establishment of People and Culture Committee with an ambitious agenda including the priority areas of the Supporting Plan as noted in Strategic Objective 1 in this report; and in addition:
- Monitoring the current talent pools of staff in the RCS, identify potential future needs and capabilities, and develop systematic approaches to meet the changing workplace;
- Regularly review that the RCS has adequate processes and procedures in place to drive transformational change and enhance employee engagement as required;
- Taking the opportunity of staff turnover to review role and structures;
- Planning and management of operational plans to identify resources necessary to deliver individual projects.

#### ***Major Projects***

##### **Systems Upgrade**

RCS is in the process of implementing a new integrated Human Resources, payroll and finance system, a major project which has to be undertaken alongside business-as-usual activities and has a target go-live date of 1 August 2024.

The risks are mitigated by:

- A governance structure with Project Board and Project Team with defined responsibilities;
- appointment of a professional project manager;
- A detailed project plan with risk and issues register that is regularly reviewed;
- Provision of additional staff resource to support colleagues;
- Communications plan as the project has RCS-wide impact.

##### **Prospective international partnership**

RCS is in advanced discussion with a performing arts academy in the UAE about the development of a partnership which would be more complex and wide-ranging than the relationships RCS has with other international institutions. This is potentially a significant new area of business activity for RCS and the risks need to be identified fully and managed properly.

The risks are mitigated by:

- Institutional quality assurance procedures to be followed prior to progressing to an MoU.
- Advice and input sought from senior colleagues in other HEIs
- Advice sought from FCO and overseas Quality Agency about scope and parameters for a potential relationship

**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 RCS's activities. A new suite of performance indicators linked to the new strategic plan is in development and will form the basis of future reporting.

	2022-23	2021-22
<b>Income growth and diversity</b>		
Deficit before other unrealised gains and losses	£(112)K	£(1,641)K
Operating deficit (excludes gains and losses, endowment and restricted income)	£(566)K	£(1,927)K
<b>Percentage of funding</b>		
SFC	50%	48%
Undergraduate and postgraduate tuition fees	32%	32%
Junior Conservatoire and short course tuition fees	10%	9%
Box office and letting	1%	0%
Donations and other income	7%	11%
<b>Infrastructure</b>		
Capital Investment as % of insurance value	0%	0%
<b>Building condition</b>		
Category A – as new	62%	64%
Category B – completely fit for purpose	33%	30%
Category C – in need of improvement	5%	6%
<b>UG and PG Applicant demand, student achievement and satisfaction</b>		
Applicants:		
Scottish	1,244	1,230
EU	249	425
RUK	1,770	2,110
International	1,200	1,025
Total	4,463	4,790
Students: <sup>3</sup>		
Scottish	No 687 % 55	No 628 % 50
EU	88 7	142 11
RUK	233 19	235 19
International	236 19	242 20
Total	1,244 100	1,247 100
Applications: offers : acceptances	9.5: 1.7: 1	10.1: 2.1: 1
Percentage of applicants with a declared disability	25%	18%
Percentage of undergraduate and postgraduate students with a declared disability	28%	26%
Scots undergraduate applicants from SIMD 20/40 as percentage of total Scots applicants	23%	22%
Scots undergraduate entrants from SIMD 20/40 as percentage of total Scots entrants	26%	19%
Scots undergraduates from SIMD 20/40 as percentage of total Scots undergraduates	28%	29%
Student Achievement Rate <sup>1</sup>	82%	88%
Course Completion Rate + 2years <sup>2</sup>	83%	84%
<b>External engagement</b>		
National Student Survey overall satisfaction rating	73%	63%
HESA Graduate Outcomes percentage in work or further study	85%	91%
Number of internally generated student performances <sup>3</sup>	387	240
Audience number <sup>3</sup>	40,029	17,472
Number of online streamed performances	-	71
Number of tickets sold for online performances	-	2,924

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

<sup>2</sup>The course completion rate + 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.

<sup>3</sup> Prior year statistics have been rebased in line with current year methodology of early census point of 1<sup>st</sup> December each year.

## CORPORATE GOVERNANCE STATEMENT

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

- The principles and provisions of the 2017 *Scottish Code of Good Higher Education Governance [the Code]*; and,
- The relevant Scottish legislation which regulates higher education in Scotland (e.g. *Post-16 Education (Scotland) Act 2013* and the *Higher Education (HE) Governance (Scotland) Act 2016*).
- The *Gender Recognition on Public Boards (Scotland) Act 2019*

As part of the Conservatoire's post-pandemic return to normality, all governance matters have followed the annual schedule of business, with normal agendas and papers provided electronically. Since 2020, lessons learned for maximising attendance at all meetings through hybrid approaches have been continued by RCS over the last year, although a return to primarily in person Board of Governors meetings has been re-established.

In December 2022, the then Chair of the Board, Nick Kuenssberg retired from office and, Professor Dorothy Miell OBE, FRSE, (formerly Head of the College of Arts and Social Sciences and Vice Principal at the University of Edinburgh) took up the position following a full election process as required by the *Higher Education (HE) Governance (Scotland) Act 2016*. On accession, the Chair initiated a review of sub-committee effectiveness which has resulted in the creation of a new sub-committee at RCS, **People and Culture**. This committee will be responsible for the review of people strategies across RCS, including both a general focus on the employee and student lifecycles and, more specifically, compliance with health and safety (as formerly undertaken by the Health, Safety, and Wellbeing Committee). In addition to this new committee, new appointments within the Board have also been made, including the appointment of a new Vice Chair, Caroline Roxburgh (following the retirement of one Vice Chair, Agnes Robson and the election of the other Vice Chair to the position of Board Chair, Professor Miell). The role of Senior independent Governor has also been re-formalised. From June 2023 this role undertakes the convenorship of the Remuneration Committee whereas up to that point a Vice Chair with the responsibilities of senior independent governor undertook it. The new convenor of Remuneration Committee going forward is Dr David Hare.

During the last year the RCS has also been able to fulfill the Code's requirements regarding Trade Union membership on the Board. Consequently, the Board will be welcoming representation from both EIS and Unison in Autumn 2023.

### The Board of Governors

The Board of Governors is the Conservatoire's governing body. Its powers have been defined over a number of years as reflected in its statutory instruments. The business of 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 27 and 28.

The Board of Governors is responsible for 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.

As head of the governing body, the Chair is responsible for leadership of the Board and ensures its effective functioning. The Chair is supported in this work by a Vice Chair and a Senior independent Governor. The Chair oversees the smooth operation of the business of the Board.

The Board of Governors met five times per year up to July 2023 and from Autumn 2023 it will return to the pre-COVID requirement of 4 meetings per year. Additionally, the Board normally holds an annual meeting to consider strategic planning issues. It may delegate any of its powers to any committee of one or more Governors.

### **Size and Composition of the Board of Governors**

As of September 2023, the Board of Governors comprises a total of 22 Governors. This total is composed of the following:

- 13 Lay Governors (including the senior lay governor – (the Chair) with proven experience in the performing arts, industrial, commercial or employment matters or the practice of any profession;
- 3 *ex officio* governors: Principal, Deputy Principal, and an elected member from Academic Board;
- 2 student members: Student Union President & Student Union Vice President;
- 2 elected/nominated staff Governors (1 elected from the academic staff; 1 from the professional services staff);
- 2 Union representative governors (1 from EIS; 1 from Unison).

Multiple factors influence both the size and composition of the RCS Board of Governors. The main ones are:

1. Ensuring that the skills and experience profile of its total membership is sufficient to meet the Board of Governors' commitments in terms of its Statement of Primary Responsibilities, the Scottish Code of Good Higher Education Governance 2017, and to operate its various Committees.
2. Being able to adapt the Board's skills matrix to accommodate the changing context in which performance arts education is developing.

3. Emphasising, through the Board membership, its position as a national institution with an international profile and ambitions.
4. Aligning its singular focus on performing arts education with a Board membership drawing on the expertise and wisdom of individuals with either direct experience of performance or with leadership/senior management experience in the performing arts.
5. Committing to equality and diversity: both equalities legislation and the gender recognition on public boards' requirements play a role in how the Board considered its composition. Nominations Committee has reviewed the equalities composition of the Board as part of its process of preparing to recruit one new lay member in the second half of 2023. Such a review is undertaken annually by Nominations Committee.

#### **The work of the sub-committees**

The Board of Governors conducts much of its business through its sub-committees. All of these committees are formally constituted with their own terms of reference. The committees are:

**Academic Board** which 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 RCS. The membership comprises the Principal, the Deputy Principal, the Senior Academic Managers, the Head of Information Services, a member co-opted from another academic institution, up to three elected student members, five elected academic staff members and a lay governor in attendance. During the year to July 2023, the Academic Board met five times and was convened by the Principal, Professor Jeffrey Sharkey and, in his absence, by the Deputy Principal, Dr Lois Fitch.

**Finance & General Purposes Committee** which *inter alia* recommends to the Board of Governors the RCS's annual revenue and capital budgets and monitors performance in relation to these approved budgets. The Committee examines all matters which have major financial implications for the RCS and, therefore, it is involved in the examination of all aspects of the RCS's planning and budgetary processes. The scope of the Committee's remit may, from time to time, include the examination of issues which extend beyond financial, but which are nevertheless of strategic importance. Its membership is composed of 8 governors in total, including the Chair (*ex officio*), 5 lay governors, the Principal (*ex officio*), and the Student President (*ex officio*), plus the convener of Audit & Risk Committee in attendance. During the year to July 2023, the committee met six times and was convened by Andrew Butcher.

**Audit & Risk Committee** which advises and assists on the adequacy of the risk management and internal control environment of the Conservatoire. The committee oversees the proper preparation of the annual report and accounts and the work of the internal and external auditors. It meets at least three times per year and at least once per year it meets with the Conservatoire's external and internal auditors for independent discussions. Its membership is composed of 4 lay members, plus the convener of Finance and General Purposes is in attendance. During the year to July 2023, the committee met three times and was convened by Caroline Roxburgh. The **Risk Management Group**, which meets four times per year, is convened by the Director of Finance and Estates, and to which up to two lay governors can attend, is responsible to the Audit and Risk Committee for identification of risk and ensuring that all identified risks are assessed adequately, addressed in policies, and regularly reviewed and up-dated in a systematic process.

**The Nominations Committee** which makes recommendations to the Board of Governors on matters relating to its structure, effective governance, and membership. It is composed of the Chair (*ex officio*), the Principal (*ex officio*), the Student President (*ex officio*), the Senior Independent Governor (*ex officio*), two lay governors, and one elected staff governor. During the year to July 2023, the committee met twice and was convened by Professor Dorothy Miell.

**The Remuneration Committee** which ensures that the salaries and terms and conditions of members of the RCS senior management, including any severance arrangements, are decided in accordance with agreed policies and processes and take account of all relevant external requirements, including those of: the Scottish Funding Council; the Scottish Code of Good Higher Education Governance; and the Committee of Scottish Chairs' Guidance Note on the Operation of Remuneration Committees in Scottish Higher Education. The Committee ensures that all salaries and conditions are determined by the use of performance management systems, such as the Professional Update process, and a transparent reward framework, using appropriate salary benchmarking for the RCS/Public Sector as appropriate and the RCS pay award. The committee has two lay governors, the Convener of F&GP (*ex officio*), the Chair (*ex officio*) and is attended by the Director of HR and the Principal (*ex officio*) (except during discussions regarding the Principal's remuneration) and the Academic Registrar and Secretary. It normally meets once per year. During the year to July 2023, however, the committee met twice, and was convened by Agnes Robson until October 2022 and subsequently, by Dr David Hare as the Senior Independent Governor.

**Health, Safety, and Wellbeing Committee** which provides a forum to address health, safety and wellbeing matters across the Conservatoire and includes representation from academic staff, professional services, and students as well as being convened by a lay governor. During the year to July 2023, the committee met three times and was convened by Carol Main until her retirement in March 2023, when Sharon Mair took over as convener to maintain continuity with the transition of the strategic and compliance oversight work of this committee into the People and Culture Committee. The reconfigured **Health and Safety Committee** now sits as an operational committee

reporting directly to the People and Culture Committee.

The **People and Culture Committee** which is responsible for the review of people strategies across RCS. This includes both a specific focus on the employee life-cycle and also the strategies and policies relating to the student life-cycle. The committee will monitor and report on strategic progress and will review related KPIs and data, which will inform future development. The committee will make recommendations for internal reviews as and when appropriate. The committee shall provide a People and Culture report to the Board of Governors which will include Health Safety and Wellbeing, and Equality, Diversity and Inclusion activities. The committee ensures that the Conservatoire approaches are directed by and consistent with the RCS Strategic Plan. Its current membership is five lay governors, the Deputy Principal (*ex officio*), the Student President (*ex officio*), and one elected staff governor (*ex officio*). It has met once during the year to July 2023 and is convened by Sharon Mair.

The **Fundraising Committee** (formerly the Development and Fundraising Committee) which ensures the approval and oversight of a fundraising strategy that aligns with and enables the achievement of the RCS strategic plan. It also actively supports and challenges the RCS executive in the development of and securing of additional and recurring revenue sources and/or streams to support scholarship, project, campaign, and unrestricted income activity as well as approving and overseeing the strategy for alumni engagement and future giving. Its current membership comprises of six lay governors, the Chair (*ex officio*) and the Principal (*ex officio*). During the year to July 2023, the committee met four times and was convened by Philip Rodney.

The **Fair Access Committee** is responsible for ensuring that the RCS is resourced effectively to meet its strategic national and institutional fair access and transitions outcomes and targets, as set out in the Scottish Funding Council's (SFC) Outcome and Impact Framework and has effective policies in place to meet relevant legislative obligations. The Committee ensures that the Fair Access strategic priorities and projects are designed to realise relevant objectives in the RCS' Strategic Plan. Its membership includes 3 lay governors plus the Student President (*ex officio*). During the year to July 2023, the committee met three times and was convened by Professor Dorothy Miell until her move to being the Board of Governors' Chair, when Morag Campbell took over as convenor.

The **Infrastructure Committee** (formerly the Buildings Committee) oversees the operation and, where appropriate, development of the RCS Estate Strategy to ensure that it supports the achievement of the RCS strategic plan. The Committee has delegated responsibility for the control of major capital works in accordance with the terms of the guidelines and directions issued by the Scottish Funding Council and Government, always observing the principles and procedures set down in the *Capital Projects Decision Point Process*. It receives, considers, and ultimately recommends the Estate Strategy to the Board of Governors. Its current membership is three lay governors, the Chair (*ex officio*), the Principal (*ex officio*), and Student President (*ex officio*). During the year to July 2023, the committee met six times and was convened by Ed Monaghan.

**GOVERNOR ATTENDANCE OF THOSE ELIGIBLE TO ATTEND AT COMMITTEE MEETINGS THROUGHOUT THE YEAR**

	Board of Governors	Finance & General Purposes	Audit and Risk	Health, Safety & Wellbeing	Remuneration	Fair Access	Nominations	Academic Board	Development & Fundraising	People & Culture	Infrastructure
Dorothy Miell	5/5	3/4			2/2	0/1	2/2		2/3		2/4
Nick Kuenssberg	1/1	1/2			1/1				1/1		1/2
Caroline Roxburgh	5/5		3/3								
David Hare	4/5	3/3			1/1		2/2			1/1	
Jo Buckley	4/5	2/3							3/4	1/1	
Andrew Butcher	5/5	6/6			2/2				3/4		
Morag Campbell	4/5			2/3		3/3			2/2	1/1	2/3
Stuart Cross	5/5	4/6					1/2				
Carol Main	3/4			3/3							
Sharon Mair	5/5		1/2	3/3					2/4	1/1	
Ed Monaghan	5/5										5/6
Mark O'Thomas		1/2									
Nacim Pak-Shiraz	5/5			2/3	2/2		1/1			1/1	
Agnes Robson	1/1		1/1		1/1						
Philip Rodney	5/5	4/6							4/4		
Matthew Rooke	5/5		3/3			2/2					4/6
John Taylor	4/5	3/3	3/3						3/4		
Jeffrey Sharkey	5/5	4/6		2/4			2/2	5/5	3/4		3/6
Lois Fitch	5/5			3/4				5/5		1/1	
Ken Fairbrother	5/5			4/4		2/3	2/2	5/5		1/1	
Jean Sangster	5/5						2/2	5/5		1/1	
Ulysse Tonnele Verjus						1/2		4/5			
Scotty Scott	3/5										
Elizabeth Jenkinson	5/5									1/1	
Ruth Calder	4/5									1/1	

The following additional groups meet as required to ensure the effective operation of the Board of Governors: **The Convenors' Group** is for all the convenors of RCS' Board of Governors' related committees and is convened by the Chair. It meets regularly to discuss issues affecting Board committees, communicates regarding governance and committee business between committee meetings as necessary, and oversees the current annual evaluation of Board committee effectiveness. It has met once in the year to date and is convened by the Chair of the Board. **The Ad Hoc Corporate Governance Reference Group** is established by the Board of Governors to meet on an ad hoc basis to receive sensitive information, for example about complaints or issues that could impact the governance and/or reputation of the Royal Conservatoire of Scotland (RCS), which might raise general or specific issues of concern or suggest a significant lapse in good governance. It provides a mechanism for determining whether and in what way these matters should be considered and eventually brought formally to the attention of the Board. It has not been required to meet in the last year.

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

Students are represented at all levels of RCS's governance and academic quality assurance and enhancement processes. Central to student engagement in governance and quality is the role of the sabbatical officers of the Conservatoire's Students' Union. The President and Vice President of the Students' Union are members of both the Board of Governors and the Academic Board. The President of the Students' Union is also a member of the Finance and General Purposes, Nominations, People & Culture committees and from the 2023/24 academic session will sit on all but the Audit and Risk, Fundraising and Remuneration sub-committees of the Conservatoire.

In compliance with the Code, and to ensure student engagement in all matters related to the academic quality of their programmes, students are members of all academic-related committees and processes that report to the Academic Board, other than Boards of Examiners and progress committees. Additionally, 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 and governance importance, rights of shareholders include the ability to propose resolutions at RCS's Annual General Meeting.

#### **Risk Assessment and Management**

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

New areas of risk and/or weaknesses identified by the RMG (which reports through the Audit and Risk Committee to the Board of Governors) are addressed. Where opportunities to further enhance the control environment are identified, appropriate actions are 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 RCS has been in place for the year under review and up to the date of approval of these financial statements.

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

The Internal Auditors of 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 the development of policies, internal controls and future strategic plans.

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 and Risk Committee, which reports on the process of internal controls and risk management at 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 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 returning to 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; and
- Appointment of a business development director.

#### Reserves

RCS carries reserves to allow it to continue to support the advancement of the business through, for example, investment in new and replacement capital equipment and the cost of development of new programmes and to provide a buffer if operating losses need to be absorbed. The Board of Governors through the Finance and General Purposes Committee undertakes an annual review of the adequacy of reserves to support RCS's operational and strategic requirements. The latest review in October 2023 confirmed that the level of reserves was adequate for these purposes.

#### Going Concern

As noted in the Annual Report, RCS has produced an operating deficit for the year under review after unrealised losses on investments. The latest information available indicates that the forecast outcome for the year ahead will also be an operating deficit. However, taking into account current liquidity, cash flow projections, future expected cash generation and the level of acceptances for places on programmes commencing in September 2023, it is considered that there are adequate resources to meet RCS's future financial commitments. There are currently long-term borrowings of £1,220,000 from RCS Infrastructure Trust which are not repayable on demand and are more than offset by cash and unrestricted investments as set out in the statement of cash flows and notes 12 and 14 to the accounts. The Governors believe that RCS can manage its business risks despite the current uncertain economic outlook and have a reasonable expectation that RCS will continue to receive adequate support from the SFC and from RCS Trusts. Accordingly, the Governors consider that RCS will have sufficient resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**STATEMENT OF PRIMARY RESPONSIBILITIES OF THE BOARD**

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

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

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

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

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

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

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

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

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 principle of proportionality and relevance to the nature of the Conservatoire, and with the principles of public life drawn up by the Committee on Standards in Public Life.

To ensure that the Conservatoire meets its commitments to the Scottish Funding Council and other funding providers.

To safeguard the good name and values of the Conservatoire.

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

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

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

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

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

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

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

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

To act as the Board of Directors of the Conservatoire as a Company Limited by Guarantee with a share issue and to manage the business of the Company, exercising all the powers of the Company.

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

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

**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 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 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 RCS and which enable them to ensure that the financial statements are prepared in accordance with the Companies Acts, the Accounts Direction issued by Scottish Funding Council, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions effective from 1 January 2019 and other relevant accounting standards.

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

- Suitable accounting policies are selected and applied consistently;
- Judgments and estimates are made that are reasonable and prudent;
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Financial statements are prepared on a going concern basis unless it is inappropriate to presume that RCS will continue in operation. The Governors are satisfied that 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 RCS and hence to take reasonable steps to prevent and detect fraud and other irregularities;
- Secure the economical, efficient and effective management of RCS's resources and expenditure; and
- Ensure sound corporate governance and the proper conduct of RCS's operations.

The key elements of 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 and Risk Committee and Finance & General Purposes Committee; and
- The appointment of a firm of Chartered Accountants offering internal audit services, whose annual programme is approved by the Audit and Risk Committee, provides them with a report on the internal audit activity within RCS and an opinion on the adequacy and effectiveness of 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.

**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 RCS's performance, business model and strategy.

## GOVERNORS' REPORT

### MEMBERSHIP

#### **Governors**

The Governors set out in the table below have held office during the whole of the period from 1 August 2022 to the date of this report unless otherwise noted.

#### *Lay Governors*

Professor Dorothy Miell OBE (Chair from 08/12/22; previously Vice Chair to 07/12/22)  
 Nick Kuenssberg OBE (Chair – retired 07/12/22)  
 Caroline Roxburgh (Vice Chair from 27/01/23)  
 David Hare (Senior Independent Governor)  
 Jo Buckley  
 Andrew Butcher  
 Morag Campbell  
 Professor Stuart Cross  
 Carol Main MBE (retired 25/04/23)  
 Sharon Mair  
 Ed Monaghan  
 Professor Mark O'Thomas (resigned 14/10/22)  
 Professor Nacim Pak-Shiraz  
 Agnes Robson (retired 25/10/22) (Vice Chair and Senior Independent Governor)  
 Philip Rodney  
 Professor Matthew Rooke  
 John Taylor

#### *Governors ex officii*

The Principal:  
 Professor Jeffrey Sharkey

The Deputy Principal:  
 Dr Lois Fitch

The President, Students' Union:  
 Ken Fairbrother

*Nominated by Academic Board*  
 Jean Sangster

*Student nominated*  
 The Vice President, Students' Union  
 Ulysse Tonnele Verjus (from 01/08/23)  
 Ulysse Tonnele Verjus – Music (up to 31/07/23)  
 Scotty Scott - DDPF (up to 31/07/23)

*Staff Governors-elected*  
 Elizabeth Jenkinson (Academic staff) (elected 29/10/21)  
 Ruth Calder (Professional staff) (elected 28/10/22)  
 Ruth McGowan (Professional staff) (resigned 30/09/22)

*Trades' Unions nominated*  
 William English (from 01/08/23)  
 Alexander Lee (from 01/08/23)

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

The following honorary doctorates were awarded during the academic session 2022-23:

Doctor of Dance

Christopher Hampson CBE

Doctor of Drama

Kate Dickie

Doctor of Music

Garth Knox

***Governors' Interests***

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

***Governors' interests***

Ruth Calder	60 ordinary shares of £1
Elizabeth Jenkinson	60 ordinary shares of £1
Professor Dorothy Miell	60 ordinary shares of £1
Professor Jeffrey Sharkey	60 ordinary shares of £1
Ken Fairbrother	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. RCS maintains a register of Governors' interests and a register of gifts to governors and staff.

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

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

***Fixed assets***

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

***Payment of creditors***

It is 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, RCS endeavors to include and abide by specific payment terms. The creditors' balance at 31 July 2023 represented 7% of total purchases for the year, equivalent to 24 creditor days. No interest was paid in terms of the Late Payments of Commercial Debts (Interest) Act 1998.

***Auditors***

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

APPROVED BY THE GOVERNORS ON 27 OCTOBER 2023 AND SIGNED ON THEIR BEHALF BY



Professor Dorothy Miell  
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 2023 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of RCS's affairs as at 31 July 2023, 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**

In auditing the financial statements, we have concluded that the governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the RCS's ability to continue as a going concern for a period of at least twelve months from then the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the governors with respect to going concern are described in the relevant sections of this report.

**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.
- The requirements of the Scottish Funding Council's accounts direction have been met.

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

In the light of our knowledge and understanding of the RCS and its environment obtained in the course of the audit, we have not identified material misstatements in the annual report (incorporating the strategic report and the directors' report).

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

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

**Responsibilities of the Board of Governors**

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

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We gained an understanding of the legal and regulatory framework applicable to the RCS and the sector in which it operates and considered the risk of acts by the RCS which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Charities and Trustee Investment (Scotland) Act 2005, and Health and Safety Regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the RCS's financial statements. Our tests included, but were not limited to:

**Auditor's responsibilities for the audit of the financial statements (continued)**

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Enquires of senior management and the governors; and
- Review of minutes from the Finance & General Purposes Committee meetings and Audit and Risk Committee meetings throughout the period.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**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 (trading as CT)

Chartered Accountants and Statutory Auditor

61 Dublin Street

Edinburgh

EH3 6NL

14/11/2023



## Statement of Comprehensive Income for the year ended 31 July 2023

	Note	2023 £'000	2022 £'000
<b>INCOME</b>			
Funding body grants	2	13,923	13,244
Tuition fees and education contracts	3	11,657	10,982
Research grants and contracts	4	156	134
Other income	5	705	908
Investment Income	6	424	280
Donations and endowments	7	785	700
<b>Total Income</b>		<b>27,650</b>	<b>26,248</b>
<b>EXPENDITURE</b>			
Staff costs	8	20,609	20,920
Other operating expenses	10	6,212	6,109
Depreciation	11	938	904
<b>Total Expenditure</b>		<b>27,759</b>	<b>27,933</b>
<b>Deficit before other gains and losses</b>		<b>(109)</b>	<b>(1,685)</b>
Loss on disposal of fixed assets		(3)	(6)
Realised gain on investments		-	50
<b>Deficit before unrealised gains and losses</b>		<b>(112)</b>	<b>(1,641)</b>
Unrealised loss on investments	12	(603)	(443)
<b>Deficit for the year</b>		<b>(715)</b>	<b>(2,084)</b>
Actuarial gain in respect of pension schemes	23	199	10,075
<b>Total comprehensive income for the year</b>		<b>(516)</b>	<b>7,991</b>
Represented by:			
Endowment comprehensive income for the year		(44)	202
Restricted comprehensive income for the year		374	(45)
Unrestricted comprehensive income for the year		(846)	7,834
		<b>(516)</b>	<b>7,991</b>

All items of income and expenditure relate to continuing activities

## Statement of Changes in Reserves for the year ended 31 July 2023

	Share Capital	Restricted (Endowment)	Restricted (Other)	Unrestricted (General)	Unrestricted (Pension)	Unrestricted (Revaluation)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2021</b>	8	2,021	271	23,851	(7,748)	2,088	20,491
Deficit from the comprehensive income and expenditure statement	-	245	116	(118)	(2,327)	-	(2,084)
Other comprehensive income	-	-	-	-	10,075	-	10,075
Transfers between revaluation and income and expenditure reserve	-	-	-	377	-	(377)	-
Release of restricted funds spent in the year	-	(38)	(161)	199	-	-	-
Transfers between Prize Fund and Unrestricted Reserve	-	(5)	-	5	-	-	-
<b>Total comprehensive income for the year</b>	-	202	(45)	463	7,748	(377)	7,991
<b>Balance at 1 August 2022</b>	8	2,223	226	24,314	0	1,711	28,482
Deficit from the comprehensive income and expenditure statement	-	44	469	(1,029)	(199)	-	(715)
Other comprehensive income	-	-	-	-	199	-	199
Transfers between revaluation and income and expenditure reserve	-	-	-	478	-	(478)	-
Release of restricted funds spent in the year	-	(88)	(95)	183	-	-	-
<b>Total comprehensive income for the year</b>	-	(44)	374	(368)	-	(478)	(516)
<b>Balance at 31 July 2023</b>	8	2,179	600	23,946	-	1,233	27,966

Statement of Financial Position as at 31 July 2023  
(Company Registration No.SC04703)

	Note	2023 £'000	2022 £'000
<b>Non-current assets</b>			
Tangible fixed assets	11	33,377	33,614
Investments	12	8,027	8,236
		<u>41,404</u>	<u>41,850</u>
<b>Current assets</b>			
Trade and other receivables	13	1,616	1,264
Investments	14	1,402	1,392
Cash and cash equivalents		4,335	5,536
		<u>7,353</u>	<u>8,192</u>
<b>Less: Creditors - amounts falling due within one year</b>	15	(2,550)	(2,920)
<b>Net current assets</b>		<u>4,803</u>	<u>5,272</u>
<b>Total assets less current liabilities</b>		46,207	47,122
<b>Creditors: amounts falling due after more than one year</b>	16	(18,007)	(18,328)
<b>Provisions</b>			
Pension provisions	23	-	-
Other provisions	18	(234)	(312)
<b>Total net assets</b>		<u>27,966</u>	<u>28,482</u>
<b>Restricted reserves</b>			
Endowment reserve	19	2,179	2,223
Other restricted reserve	20	600	226
		<u>2,779</u>	<u>2,449</u>
<b>Unrestricted reserves</b>			
General reserve		23,946	24,314
Pension reserve		-	-
Revaluation reserve		1,233	1,711
		<u>27,958</u>	<u>28,474</u>
Share capital	21	8	8
<b>Total reserves</b>		<u>27,966</u>	<u>28,482</u>

The financial statements on pages 33 to 51 were approved and authorised for issue by the Board of Governors on 27 October 2023 and were signed on its behalf on that date by:



Professor Jeffrey Sharkey  
Designated Officer



Alan Smith  
Director of Finance and Estates



Professor Dorothy Miel  
Chair

## Statement of cash flows for the year ended 31 July 2023

	Note	2023 £'000	2022 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(715)	(2,084)
<b>Adjustment for non-cash items</b>			
Depreciation	11	938	904
Loss on investments		603	393
(Increase) in debtors	13	(352)	(398)
(Decrease)/Increase in creditors	15 / 16 / 17	(691)	298
(Decrease) in other provisions	18	(78)	(79)
Pension costs less contributions payable	23	199	2,327
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(424)	(280)
Loss on the sale of fixed assets		3	6
Endowment income		(30)	(206)
<b>Net cash inflow from operating activities</b>		<u>(547)</u>	<u>881</u>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets/investments		-	699
Short term investments	14	(10)	(1)
Investment income	6	424	280
Endowment funds invested	12	(246)	(147)
Funds invested	12	(148)	(1,285)
Payments to acquire fixed assets	11	(704)	(473)
		<u>(684)</u>	<u>(927)</u>
<b>Cash flows from financing activities</b>			
Endowment cash received		30	206
<b>Decrease in cash and cash equivalents in the year</b>		<u>(1,201)</u>	<u>160</u>
Cash and cash equivalents at beginning of the year		5,536	5,376
Cash and cash equivalents at end of the year		4,335	5,536

## Analysis of changes in net debt

	At 1 August 2022 £'000	Cash flows £'000	Other non cash changes £'000	At 31 July 2023 £'000
<b>Cash and cash equivalents</b>				
Cash	5,536	(1,201)	-	4,335
Overdrafts	-	-	-	-
Cash equivalents	-	-	-	-
	<u>5,536</u>	<u>(1,201)</u>	<u>-</u>	<u>4,335</u>
<b>Borrowings</b>				
Debt due within one year	(66)	-	-	(66)
Debt due after one year	(1,220)	66	-	(1,154)
	<u>(1,286)</u>	<u>66</u>	<u>-</u>	<u>(1,220)</u>
<b>Total</b>	<u>4,250</u>	<u>(1,135)</u>	<u>-</u>	<u>3,115</u>

## Notes to the Financial Statements

## 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

## A Basis of preparation

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

## 1. Going Concern

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

## B Tangible Fixed Assets

## 1. Land and Buildings

The RCS's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings are stated in the Statement of Financial Position at cost. The main RCS heritage buildings are depreciated over their expected useful economic life to the institution of 100 years. The Wallace Studios which is built on leasehold land is depreciated over its remaining useful life of 90 years. 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
---	---------------

## 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 Statement of Financial Position at valuation, there is therefore no historical cost associated with these assets. A revaluation will be carried out again in 2024.

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

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

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

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

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

## Notes to the Financial Statements (continued)

## 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## C Investments

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

## D Cash and cash equivalents

Cash includes cash at hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## E Provisions

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

## F Recognition of Income

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the RCS recognises the related costs for which the grant is intended to compensate. Government capital grants are recognised in income over the expected useful life of the asset. 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.

Revenue and capital grants (including research grants) from non government sources are recognised in income when the RCS is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Statement of Financial Position and released to income as the conditions are met. Deferred income will be allocated between creditors due within one year and due after more than one year as appropriate.

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

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

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

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

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

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

## G Maintenance of Premises

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

## 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## H Pension Costs

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

*Strathclyde Pension Fund*

The scheme is a defined benefit scheme.

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

A pension scheme surplus is not recognised as it is deemed not recoverable, however a 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.

## Notes to the Financial Statements (continued)

## I Taxation Status

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

## J Operating Leases

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

## K Concessionary Loans

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

## L Reserves

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

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

## 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## M Financial Instruments

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

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

*(i) Financial assets and liabilities*

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

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

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

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

## N Accounting Estimates and Judgements

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

A discussion of these critical accounting estimates is provided below.

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

	2023 £'000	2022 £'000
SFC		
Recurrent grant for teaching	12,869	12,221
Research excellence grant	298	266
Research postgraduate grant	77	76
<i>Specific initiative grants:</i>		
Disabled student premium	54	54
University innovation fund	370	372
<i>Deferred capital grants released in year:</i>		
Buildings	253	253
Equipment	2	2
	<u>13,923</u>	<u>13,244</u>

## 3 TUITION FEES AND EDUCATION CONTRACTS

	2023 £'000	2022 £'000
Scotland home domicile fees	607	441
EU domicile fees	425	597
RUK domicile fees	2,126	2,094
Non-EU domicile fees	4,387	4,144
Non-credit bearing course fees *	2,761	2,333
Education contracts	1,115	1,111
Other (registration and resit fees)	236	262
Total	<u>11,657</u>	<u>10,982</u>

\* relates to Short Courses and Junior Conservatoire programmes

## 4 RESEARCH GRANTS AND CONTRACTS

	2023 £'000	2022 £'000
Miscellaneous research grants and contracts	<u>156</u>	<u>134</u>

## 5 OTHER INCOME

	2023 £'000	2022 £'000
Income from front of house	259	115
Sundry income	215	527
European funded projects	116	141
RCS works	46	56
QAA income	6	6
Widening access to the creative industries grant	63	63
	<u>705</u>	<u>908</u>

## 6 INVESTMENT INCOME

	2023 £'000	2022 £'000
Investment income on endowments	75	61
Other investment income	273	216
Bank interest	76	3
	<u>424</u>	<u>280</u>



## Notes to the Financial Statements (continued)

## 7 DONATIONS AND ENDOWMENTS

	2023 £'000	2022 £'000
Unrestricted donations	191	268
Restricted donations	594	432
	<u>785</u>	<u>700</u>

Restricted donations of £66K (2022 - £66K) relate to the redevelopment of part of the Renfrew Street Campus building, £100K funding from Professor Richard Rose (2022: £98K) to support a number of specific projects and programmes across the Conservatoire and a legacy of £403K to support Vocal studies.

## 8 STAFF COSTS

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

	2023 Number	2022 Number
Senior management	10	10
Teaching staff	207	194
Teaching support	26	29
Research grants and contracts	11	9
Other support services	21	19
Administration and central services	70	67
Premises	53	51
Other income generating activities	1	1
	<u>400</u>	<u>380</u>

Staff costs for the above persons:

	2023 £'000	2022 £'000
Wages and salaries	15,810	14,790
Social security costs	1,414	1,327
Pension contributions paid	2,735	2,479
Pension net service cost	515	2,186
Other staff costs	135	138
	<u>20,609</u>	<u>20,920</u>
Senior management	1,134	1,166
Teaching staff	12,024	11,437
Teaching support	1,288	1,572
Research grants and contracts	673	631
Other support services	1,248	1,452
Administration and central services	2,697	3,046
Premises	1,499	1,558
Other income generating activities	46	58
	<u>20,609</u>	<u>20,920</u>
Governors' salaries(included therein)		
Salaries(staff members)	385	366
Pension contributions	85	81
	<u>470</u>	<u>447</u>

Note 23

The number of Governors accruing benefits under pension schemes during the year was 6 (2022: 6). Governors' salaries exclude FRS 102 pension adjustments.

## 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; Deputy 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 Academic Registrar/Board Secretary. Staff costs including compensation paid to key management personnel as follows:

	2023 £'000	2022 £'000
Total (including salaries, social security costs and other benefits)	<u>1,134</u>	<u>1,166</u>

The Chair was entitled to remuneration but waived that entitlement for 2022-23. Other non-staff Governors received no remuneration. The Principal, who is also the highest paid Governor, received emoluments of:

	2023 £'000	2022 £'000
Principal		
Salary	154	148
Pension contributions	35	34
Benefits in kind*	7	6
	<u>196</u>	<u>188</u>
Accrued pension as at 31 July	22	20
Accrued lump sum as at 31 July	66	59

\* Benefits in kind relate to private medical insurance

The ratio of the remuneration of the Principal to the median salary of a RCS staff member is 3.19 (2022: 3.19). The ratio including salary, benefits in kind and pension is 3.29 (2022: 3.29).

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

	2023 Number	2022 Number
£100,000 - £110,000	-	-
£110,001 - £120,000	-	-
£120,001 - £130,000	-	-
£130,001 - £140,000	-	-
£140,001 - £150,000	-	-
£150,001 - £160,000	-	1
£160,001 - £170,000	1	-

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

## 9 TRAVEL AND SUBSISTENCE

	2023 £'000	2022 £'000
Travel and subsistence - Board members	9	6
Hospitality - Board members	10	6
	<u>19</u>	<u>12</u>

The total expenses paid to or on behalf of Board members was £9K (2022 - £6K). 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

	2023 £'000	2022 £'000
Teaching departments	1,817	1,704
Contracted-out lecturing services	181	175
Teaching support services	451	540
Other support services	736	507
Administration and central services	729	653
General education	228	251
Premises costs	1,050	827
Repairs, renewals and maintenance	319	260
Student residences	-	33
Other income generating activities	461	513
Agency staffing costs	188	214
Pension fund net interest	(316)	141
Other expenses	368	291
	<u>6,212</u>	<u>6,109</u>

Other operating expenses include:

	2023 £'000	2022 £'000
Auditors' remuneration		
	External Audit	18
	FFELP Contract	2
	Non-audit services	3
	Internal audit	18
Operating lease rentals	Other than Land and Buildings	420
		490

## 11 TANGIBLE FIXED ASSETS

	Freehold Buildings £'000	Leasehold Buildings £'000	Furn/Fix/ Fittings/ Equipment £'000	Other Stringed Instruments £'000	Musical Instruments £'000	Total £'000
<i>Cost or valuation</i>						
At 1 August 2022	30,281	11,837	5,788	959	849	49,714
Additions	-	-	653	-	51	704
Disposals	-	-	(338)	-	-	(338)
Revaluations	-	-	-	-	-	-
At 31 July 2023	<u>30,281</u>	<u>11,837</u>	<u>6,103</u>	<u>959</u>	<u>900</u>	<u>50,080</u>
<i>Aggregate Depreciation</i>						
At 1 August 2022	8,860	1,865	5,035	45	295	16,100
Depreciation charge	362	132	365	10	69	938
Disposals	-	-	(335)	-	-	(335)
Revaluations	-	-	-	-	-	-
At 31 July 2023	<u>9,222</u>	<u>1,997</u>	<u>5,065</u>	<u>55</u>	<u>364</u>	<u>16,703</u>
<i>Net Book Value</i>						
NBV at 1 August 2022	<u>21,421</u>	<u>9,972</u>	<u>753</u>	<u>914</u>	<u>554</u>	<u>33,614</u>
NBV at 31 July 2023	<u>21,059</u>	<u>9,840</u>	<u>1,038</u>	<u>904</u>	<u>536</u>	<u>33,377</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.

## Notes to the Financial Statements (continued)

## 12 INVESTMENTS

	Richard Rose Fund 2023 £'000	Pibroch Network Fund 2023 £'000	General Fund 2023 £'000	Prize Fund 2023 £'000	Piano Fund 2023 £'000	Total 2023 £'000	Total 2022 £'000
Market value at 1 August	-	-	6,481	897	858	8,236	7,895
Additions	49	197	148	-	-	394	1,432
Disposals	-	-	-	-	-	-	(648)
Decrease in market value	(1)	(5)	(472)	(64)	(61)	(603)	(443)
Market value at 31 July	<u>48</u>	<u>192</u>	<u>6,157</u>	<u>833</u>	<u>797</u>	<u>8,027</u>	<u>8,236</u>
Listed investments				2023 Market Value £'000	2023 Cost £'000	2022 Market Value £'000	2022 Cost £'000
Fixed interest stocks				2,186	2,528	2,191	2,424
Equities				5,841	5,478	6,045	5,190
				<u>8,027</u>	<u>8,006</u>	<u>8,236</u>	<u>7,614</u>

## 13 TRADE AND OTHER RECEIVABLES

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade receivables	164	93
Receivables due from students - net of provision for doubtful debts	328	220
Other receivables	199	186
Prepayments and accrued income	925	765
	<u>1,616</u>	<u>1,264</u>

## 14 CURRENT INVESTMENTS

	2023 £'000	2022 £'000
Short term deposits	1,402	1,392
	<u>1,402</u>	<u>1,392</u>

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

At 31 July 2023 the weighted average interest of these fixed rate deposits was 0.95% 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.

## 15 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Trade payables	316	378
Other creditors	315	267
Accruals and deferred income	1,853	2,209
Loans	66	66
	<u>2,550</u>	<u>2,920</u>

## DEFERRED INCOME

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

	2023 £'000	2022 £'000
Donations	18	37
Grant income	255	255
	<u>273</u>	<u>292</u>

## Notes to the Financial Statements (continued)

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

	2023 £'000	2022 £'000
Deferred grant income	16,853	17,108
Loans	1,154	1,220
	<u>18,007</u>	<u>18,328</u>

## 17 PUBLIC BENEFIT ENTITY CONCESSIONARY LOANS

	2023 £'000	2022 £'000
Amounts repayable within one year	66	66
Amounts repayable between one and two years	66	66
Amounts repayable between three and five years	132	132
Amounts repayable in five years or more	955	1,021
Amounts repayable after more than one year	<u>1,154</u>	<u>1,220</u>
Total public benefit entity concessionary loans	<u>1,220</u>	<u>1,286</u>

Lender	Amount	Term	Interest rate %	Borrower
RCS Infrastructure Trust	£1,865,000	2042	Nil	RCS

## 18 PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions £'000
Balance at 1 August 2022	312
Decrease in provision	(42)
Paid/released	(36)
Balance at 31 July 2023	<u>234</u>

The RCS 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. A valuation of the existing pension provision was carried out at 31 July 2023 by Hymans Robertson, an independent firm of actuaries.

## 19 ENDOWMENT FUNDS - PERMANENT

	Pibroch Network Capital £'000	Prize Fund Capital £'000	Prize Fund Income £'000	Piano Fund Capital £'000	2023 Total £'000	2022 Total £'000
Balance at 1 August 2022						
Capital	200	826	-	862	1,888	1,783
Accumulated income	-	-	247	-	247	232
	<u>200</u>	<u>826</u>	<u>247</u>	<u>862</u>	<u>2,135</u>	<u>2,015</u>
<i>Income</i>						
Funds introduced	-	25	5	-	30	206
Investment income	1	-	37	34	72	62
(Loss)/gain on sale of investments	-	-	-	-	-	1
Decrease in value of investments	(5)	(64)	-	(61)	(130)	(96)
	<u>196</u>	<u>787</u>	<u>289</u>	<u>835</u>	<u>2,107</u>	<u>2,188</u>
<i>Expenditure</i>						
Prizes	-	-	(20)	-	(20)	(18)
Transfer to unrestricted reserves to meet expenditure incurred	-	-	-	(30)	(30)	(22)
Management fees	-	-	(4)	(4)	(8)	(8)
Transfer between Prize Fund and Unrestricted Reserve	-	-	-	-	-	(5)
Balance at 31 July 2023	<u>196</u>	<u>787</u>	<u>265</u>	<u>801</u>	<u>2,049</u>	<u>2,135</u>
Represented by:						
Capital	196	787	-	801	1,784	1,888
Accumulated income	-	-	265	-	265	247
	<u>196</u>	<u>787</u>	<u>265</u>	<u>801</u>	<u>2,049</u>	<u>2,135</u>
Analysis by asset						
Current and non-current asset investments	<u>196</u>	<u>787</u>	<u>265</u>	<u>801</u>	<u>2,049</u>	<u>2,135</u>
	<u>196</u>	<u>787</u>	<u>265</u>	<u>801</u>	<u>2,049</u>	<u>2,135</u>

A donation from Louis Sterne Trust to support the impact and interdisciplinarity of the Pibroch Network.

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

	2023 Professor Richard Rose Fund £'000	2023 Instrument Fund £'000	2023 Total £'000	2022 Total £'000
Balance at 1 August 2022				
Accumulated income	83	5	88	6
	<u>83</u>	<u>5</u>	<u>88</u>	<u>6</u>
<i>Income</i>				
Funds/capital introduced	100	-	100	98
Investment income	-	-	-	-
	<u>183</u>	<u>5</u>	<u>188</u>	<u>104</u>
<i>Expenditure</i>				
Transfer to deferred capital grant	-	-	-	-
Transfer to investments	-	-	-	-
Transfer to unrestricted reserves to meet expenditure incurred	(53)	(5)	(58)	(16)
Balance at 31 July 2023	<u>130</u>	<u>-</u>	<u>130</u>	<u>88</u>
Represented by:				
Accumulated income	130	-	130	88
	<u>130</u>	<u>-</u>	<u>130</u>	<u>88</u>
Analysis by asset:				
Cash and cash equivalents	130	-	130	88
	<u>130</u>	<u>-</u>	<u>130</u>	<u>88</u>

The Professor Richard Rose Fund is to maintain and/or enhance activities within the Departments of Opera, Ballet, Traditional Song and Jazz.  
The Instrument Fund comprises two donations which have been made to fund the purchase of two collections of brass and woodwind instruments.

## 20 RESTRICTED FUNDS

	Other £'000	Vocal Studies £'000	RCS Infrastructure Trust £'000	The Robertson Trust £'000	2023 Total £'000	2022 Total £'000
Balance at 1 August 2022	47	-	-	179	226	271
<i>Income</i>						
Funds/capital introduced	-	403	66	-	469	116
<i>Expenditure</i>						
Release of restricted funds spent in the year	(20)	-	(66)	(9)	(95)	(161)
Total restricted comprehensive income for the year	<u>(20)</u>	<u>403</u>	<u>-</u>	<u>(9)</u>	<u>374</u>	<u>(45)</u>
Balance at 31 July 2023	<u>27</u>	<u>403</u>	<u>-</u>	<u>170</u>	<u>600</u>	<u>226</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 John Mather Foundation for the purchase of equipment and support of a number of series and productions.

The Vocal Studies Fund represents a legacy receipt in support of vocal studies activities.

The donation from the RCS Infrastructure Trust was used in support of a capital development.

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

## 21 SHARE CAPITAL

	2023 £	2022 £
<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	<u>7,284</u>	<u>7,284</u>
<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

	The Whisky Bond (Archive) £'000	Student Accommodation £'000	Musical Instruments/AV Equipment £'000	2023 Total £'000	2022 Total £'000
Future minimum lease payments due:					
Not later than 1 year	22	2,406	472	2,900	1,689
Later than 1 year and not later than 5 years	7	9,625	930	10,562	6,261
Later than 5 years and not later than 10 years	-	5,013	-	5,013	3,648
Total lease payments due	<u>29</u>	<u>17,044</u>	<u>1,403</u>	<u>18,476</u>	<u>11,598</u>

## Student accommodation

The Royal Conservatoire of Scotland has a lease arrangement with BASE Glasgow OpCo Ltd and acts as an administrator in relation to student accommodation rental income in a private build student accommodation facility at McPhater St, Glasgow and underwrites any shortfall in the annual rent. Total rental income from students for the year was £1,216K and total rent due was £1,216K leaving a balance due to BASE Glasgow Ltd of £Nil. The lease is for a period of 20 years commencing on 14 September 2020 with a break option exercisable by RCS after 10 years.

	2023 £'000	2022 £'000
Rental Income	1,216	1,137
Rental costs	1,216	1,170
Net costs	<u>-</u>	<u>(33)</u>

## 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 :

	2023 £'000	2022 £'000
Contributions to STPS	1,614	1,452
Contributions to SPF	1,685	3,253
Contributions to UCRSS	<u>1</u>	<u>1</u>
	3,300	4,706
Decrease in pension provision	<u>(42)</u>	<u>(37)</u>
	<u>3,258</u>	<u>4,669</u>

The actual cost of contributions paid by the RCS during the year to the SPF was £1,170K.

There were no outstanding contributions payable at 31 July 2023.

**Scottish Teachers' Pension Scheme**

The RCS participates in the Scottish Teachers' Pension Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23% of pensionable pay from September 2019 and an anticipated yield of 9.4% employers contributions.

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

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

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

The RCS's level of participation in the scheme is 0.2% based on the proportion of employer contributions paid in 2021-22.

## 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 2020. The rates of contribution payable are determined by the SPF 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 2022 to 31 July 2023 was 19.3% of pay. The employee contribution rate for the period from 1 August 2022 to 31 July 2023 was a variable rate dependent on the level of salary ranging from 5.5% to 12%.

Principal actuarial assumptions at the Statement of Financial Position date:

## Investment Returns

	2023	2022
	%	%
Total Returns from 1 August 2022 to 31 July 2023	1.50	1.00

## Financial assumptions

	2023	2022
	%	%
Future Pension increases	2.95	2.70
Future Salary increases	3.75	3.20
Discount rate	5.00	3.50

The RCS expects to contribute £1,170K to its defined benefit pension plans in 2023/24.

## Mortality assumptions

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

	Male	Female
Current pensioners	19.1 years	22.0 years
Future pensioners	20.3 years	23.9 years

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

	2023	2022
	%	%
Equities	61	60
Bonds	27	27
Property	10	11
Cash	2	2

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



## Notes to the Financial Statements (continued)

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

	Assets £'000	Obligations £'000	2023 Net (Liability)/ Asset £'000	2022 Net (Liability)/ Asset £'000
Fair value of employer assets	41,953	-	41,953	40,661
Present value of funded liabilities	-	32,664	(32,664)	(48,409)
<b>Opening Position as at 31 July 2022</b>	<b>41,953</b>	<b>32,664</b>	<b>9,289</b>	<b>(7,748)</b>
Service Cost				
Current Service Cost	-	1,685	(1,685)	(3,246)
Past service Cost	-	-	-	-
<b>Total Service Cost</b>	<b>-</b>	<b>1,685</b>	<b>(1,685)</b>	<b>(3,246)</b>
Net Interest				
Interest income on plan assets	1,484	-	1,484	657
Interest Cost on defined benefit obligation	-	1,168	(1,168)	(798)
<b>Total Net Interest</b>	<b>1,484</b>	<b>1,168</b>	<b>316</b>	<b>(141)</b>
<b>Total defined benefit cost recognised in income and expenditure</b>	<b>1,484</b>	<b>2,853</b>	<b>(1,369)</b>	<b>(3,387)</b>
Cashflows				
Plan participants contributions	377	377	-	-
Employer contributions	1,170	-	1,170	1,060
Benefits paid	(602)	(602)	-	-
<b>Expected closing position</b>	<b>44,382</b>	<b>35,292</b>	<b>9,090</b>	<b>(10,075)</b>
Re-measurements (actuarial losses)				
Changes in demographic assumptions	-	(437)	437	19,548
Changes in financial assumptions	-	(9,813)	9,813	195
Other experience	-	1,883	(1,883)	(135)
Return on assets excluding amounts included in net interest	(841)	-	(841)	(244)
<b>Total re-measurements recognised in other comprehensive income</b>	<b>(841)</b>	<b>(8,367)</b>	<b>7,526</b>	<b>19,364</b>
Fair value of plan assets	43,541	-	43,541	41,953
Present value of funded liabilities	-	26,925	(26,925)	(32,664)
<b>Closing position as at 31 July 2023</b>	<b>43,541</b>	<b>26,925</b>	<b>16,616</b>	<b>9,289</b>

\* The defined benefit asset has been restricted to Enil in the Statement of Financial Position as the Conservatoire does not have the rights to a refund or to reduce its payments into the pension scheme

## The Universities and Colleges Retirement Savings Scheme

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

## 24 CAPITAL COMMITMENTS

	2023 £'000	2022 £'000
Commitments authorised but not yet contracted at 31 July	483	-

The above relates to the installation of solar panels to the Renfrew Street and Wallace Studios campus buildings and is partially funded by an external grant.

## 25 CONTINGENT LIABILITIES

The Royal Conservatoire of Scotland is in the process of seeking clarification around the classification of pensionable pay. At this stage it is not possible to quantify the potential liability, nor is there certainty that it would fall due.

The Royal Conservatoire of Scotland is aware of the Supreme Court ruling in July 2022 on changes to entitlement to holiday pay. At this stage it is not possible to quantify the potential liability, nor is there certainty that it would fall due.

## Notes to the Financial Statements (continued)

## 26 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 2023 are detailed below:

Member	Organisation	Relationship	Grant Received	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
Nick Kuenssberg	Klik2Learn	Chairman	£ -	£ 3,120	£ -	£ 1,860	£ -
David Hare/Nick Kuenssberg/Dorothy Miell	Royal Society of Edinburgh	Committee Member	£ -	£ 19,888	£ -	£ -	£ -
Jo Buckley/Philip Rodney	Dunedin Consort	Chief Executive / Board Member	£ -	£ 741	£ 180	£ -	£ -
Carol Main	Live Music Now Scotland	Director	£ -	£ 3,702	£ -	£ -	£ -
Carol Main	The List	Classical Music Editor	£ -	£ -	£ 1,590	£ -	£ -
Dorothy Miell/Nacim Pak-Shiraz	University of Edinburgh	Professor Emerita / Personal Chair	£ -	£ 700	£ -	£ -	£ -
Jeffrey Sharkey	ABRSM	Board Member	£ -	£ 181,506	£ 23,385	£ -	£ -
Jeffrey Sharkey	Cumnock Tryst	Board Member	£ -	£ 1,016	£ -	£ -	£ -
Jeffrey Sharkey	Wells Cathedral School	Governor	£ -	£ -	£ 560	£ -	£ -
Jeffrey Sharkey	Conservatoires UK	Governor	£ -	£ -	£ 8,982	£ -	£ -
Lois Fitch	Sistema Scotland	Board Member	£ -	£ 6,781	£ -	£ -	£ -
Ken Fairbrother	Harrison Parrott Foundation	Trustee	£ -	£ -	£ 8,052	£ -	£ -
Ken Fairbrother	National Youth Orchestras of Scotland	Trustee	£ -	£ -	£ 240	£ -	£ -
Ken Fairbrother	St Marys Music School	Director	£ -	£ 1,739	£ -	£ 464	£ -
Jean Sangster	Donald Dewar Arts Awards	Trustee	£ -	£ 223	£ -	£ -	£ -

## 27 DISCRETIONARY AND CHILDCARE FUNDS

	Childcare £	Discretionary £	Student Emergency Fund £	June 2021 Covid 19 hardship £	Total £
Balance unspent at 1 August 2022	268	(268)	-	422	422
Repaid during the year	-	-	-	(422)	(422)
Allocation received in year	7,323	31,612	9,203	-	48,138
Expenditure	(12,834)	(26,605)	-	-	(39,439)
Balance unspent at 31 July 2023	(5,243)	4,739	9,203	-	8,699
Repayable as claw back	(5,243)	4,739	9,203	-	8,699

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.

In satisfaction of its obligations to facilitate students' access to US federal financial aid, RCS is required, by the US Department of Education, to present the following Supplemental Schedule in a prescribed format. The amounts presented within the schedules have been: • prepared under the historical cost convention, subject to the revaluation of certain fixed assets; • prepared using United Kingdom generally accepted accounting practice, in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 edition); • presented in pounds sterling. The schedules set out how each amount disclosed has been extracted from the financial statements. As set out above, the accounting policies used in determining the amounts disclosed are not intended to and do not comply with the requirements of accounting principles generally accepted in the United States of America. The aim of the schedules is to support RCS in meeting the requirements of the US Department of Education's Federal Loan scheme, and not the requirements of the SORP; the schedule does not form part of the SORP.

**Primary Reserve Ratio:**

Page	Note	Financial Statement reference	2023 £'000	2022 £'000
			<b>Expendable Net Assets</b>	
			<b>Net Assets without donor restrictions:</b>	
35	No note	Statement of financial position	25,187	26,033
			<b>Net Assets with donor restrictions:</b>	
45+46	19+20	Endowment funds - Permanent and endowment funds - expendable	2,779	2,449
			<b>Term Endowments with donor restrictions:</b>	
45+46	19+20	Endowment funds - Permanent and endowment funds - expendable	2,179	2,223
46	20	Restricted funds	-	-
			<b>Net Assets with donor restrictions: restricted in perpetuity:</b>	
			600	226
			<b>Net Assets with donor restrictions: Other for purpose or time:</b>	
43	11	Tangible Fixed Assets	33,377	33,614
			<b>Property, plant and equipment, net (includes Construction in progress and Capital leases):</b>	
			<b>Property, plant and equipment - pre-implementation (includes Capital Leases):</b>	
			32,673	33,141
			<b>Property, plant and equipment- post-implementation without outstanding debt for original purchase:</b>	
43	11	Tangible Fixed Assets	704	473
47	23	Pension Commitments	-	-
44	17	Public Benefit Entity Concessionary Loans	1,220	1,286
			<b>Long-term debt - for long term purposes:</b>	
			1,220	1,286
44	17	Public Benefit Entity Concessionary Loans	-	-
			<b>Long-term debt - for long term purposes post-implementation:</b>	
			<b>Total Expenses and Losses:</b>	
		See below	27,563	19,001
			<b>Total Expenses and Losses without donor restrictions:</b>	
33	No note	Statement of Comprehensive Income -Total Expenditure	27,759	29,070
47	23	Pension Commitments	(199)	(10,075)
			<b>Other components of net periodic pension costs:</b>	
33	No note	Statement of Comprehensive Income -Loss on disposal of fixed assets	3	6
			<b>Other Losses:</b>	

**Equity Ratio:**

Page	Note	Financial Statement reference	2023 £'000	2022 £'000
			<b>Modified Net Assets:</b>	
			<b>*Net Assets without donor restrictions:</b>	
35	No note	Statement of Financial Position - Total reserves less restricted reserves noted below	25,187	26,033
			<b>*Net Assets with donor restrictions:</b>	
35	No note	Statement of Financial Position - restricted reserves	2,779	2,449
			<b>Modified Assets:</b>	
35	No note	Statement of Financial Position -non current assets + current assets	48,757	50,042
			<b>Total Assets:</b>	

**Net Income Ratio:**

Page	Note	Financial Statement reference	2023 £'000	2022 £'000
			<b>Change in Net Assets Without Donor Restrictions:</b>	
			<b>Change in Net Assets Without Donor Restrictions:</b>	
35	No note	Statement of Financial Position - Total net assets less restricted reserves 2023 vs 2022	(846)	7,834
			<b>Total Revenues and Gains:</b>	
			<b>Total Revenues and Gains without donor restrictions:</b>	
33	No note	Statement of Comprehensive Income - Total Income less restricted comprehensive income for the year+gains on realised and unrealised investments	27,047	25,855
			<b>Total Operating Revenue and Other Additions (Gains):</b>	
33	No note	Statement of Comprehensive Income - Total Income	27,650	26,248
			<b>Investment return appropriated for spending:</b>	
		Gains on realised and unrealised investments	(603)	(393)
			<b>Non-Operating Revenue and Other Gains:</b>	