

Royal Conservatoire of Scotland

A Company Limited by Guarantee

Annual Report

And

Financial Statements

For the Year Ended 31 July 2015

Company Registration No.SC04703

Contents	Page
Office Bearers	3
Report of the Governors	4
Strategic Report	5-13
Governor's Report	14-15
Corporate Governance Statement	16-18
Statement of Governors' Responsibilities	19-20
Independent Auditor's Report	21-22
Income and Expenditure Account	23
Statement of Historical Cost Surpluses and Deficits	24
Statement of Total Recognised Gains and Losses	24
Balance Sheet	25
Cash Flow Statement	26
Notes to the Financial Statements	27-47
Committee Memberships	48
Professional Advisers	49

OFFICE BEARERS

Patron	His Royal Highness The Prince Charles, Duke of Rothesay DACad (Hon RSAMD)
President	Sir Cameron Mackintosh FRSAMD
Vice President	The Right Honourable Lord Gill FRSAMD
Patron of the Junior Conservatoire	Nicola Benedetti MBE DMus (Hon RCS)
Chairman of Governors	Lord Vallance of Tummel
Principal	Professor Jeffrey Sharkey (from 1 September 2014) Professor John Wallace CBE DCon (Hon RCS) FRSAMD (to 31 August 2014)
Secretary	Ewan Hainey
Registered Office	100 Renfrew Street Glasgow G2 3DB

REPORT OF THE GOVERNORS

The Governors present their report together with the financial statements for the year ended 31 July 2015.

Constitution

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

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

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

Corporate Structure

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

Principal activity

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

The Conservatoire's mission is to:

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

The Conservatoire's 2012-15 strategic plan 'Creating the Future for Performance' has six underpinning strategic aims, which are to:

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

Conservatoire Values

Within our learning and artistic community we value:

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

Creativity - we are adventurous, imaginative and innovative

Integrity - we are open, honest and self-aware

Equality and Diversity - we celebrate the spirit of humanity

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

A new strategic plan is being developed and will be considered by the Board of Governors for approval in October 2015.

STRATEGIC REPORT

The Conservatoire has made good progress towards achieving the objectives set out in its strategic plan *Creating the Future for Performance: 2012/15*. The concluding progress report in respect of that plan can be found on our website at http://www.rcs.ac.uk/about_us/aboutus/visionvalues/.

Curriculum and Quality Enhancement

Two new programmes were validated during 2014-15 and commence in 2015-16. A BA in Performance in British Sign Language (BSL) and English will be the first undergraduate degree of its type in the UK for deaf artists and performers. A MEd Learning and Teaching in the Performing Arts is aimed at providing practising professionals with a teaching qualification. The MEd has a considerable amount of on-line/distance learning delivery and two of the pathways have been accredited by the General Teaching Council for Scotland.

The BA Scottish Music was reviewed and has been re-named the BMus Traditional Music. The curriculum has been re-designed to align with the current BMus framework and tailored to suit the expectations and aspirations of today's emerging folk or traditional musicians.

The Conservatoire's overall student satisfaction scoring in the National Student Survey was 79% (2014:88%). The feedback is being analysed to ascertain where improvements can be made.

Initial planning is under way for the undergraduate curriculum review which will occur between September 2015 and August 2017 for commencement in academic year 2017-18. The scope of the review will include: embedding pedagogical skills and equality and diversity, the volume, nature and format of feedback and assessment, the process of developing, evaluating and monitoring choice modules and the size and shape of the academic calendar.

Research and Knowledge Transfer

The results of the Research Excellence Framework were published in December 2014, with the proportion of research judged to be internationally excellent or world-leading increasing to 67% from 40% in the 2008 exercise. The Conservatoire achieved the highest score for 'impact' of any Scottish HEI making a submission in the music, dance, drama and performing arts unit of assessment, and also maintained its position in the UK Conservatoire sector. Research in Drama was included for the first time in the 2014 submission, and the number of outputs considered for inclusion across the Conservatoire had approximately doubled.

The Conservatoire is investing in the PURE research management information system which will help to manage the research and knowledge exchange lifecycle, while also providing a single portal to promote the wide-ranging professional activity of staff, including their research and knowledge exchange activities.

The MPhil and PhD degree programmes, which are validated by the University of St Andrews, will be reviewed in 2017. A new Doctor of Performing Arts programme was approved for delivery following validation by the University and approval by the Conservatoire.

The Conservatoire jointly hosted, with the Glasgow School of Art, the European League of the Institutions of the Arts (ELIA) Conference in November 2014; will be hosting the Association of European Conservatoires (AEC) Conference in November 2015 and plans are well under way for the organisation of the International Society of Music Educators (ISME) Conference which will take place in Glasgow in July 2016.

Estates and Infrastructure

The second phase of the Wallace Studios at Speirs Locks was commissioned in June 2014. The building won the RIBA Regeneration Award at the Scottish Design Awards, having already received the same accolade for the first phase of the development. The additional rehearsal space which it provides is of great benefit to students, staff and the wider community.

The Principal's Executive Office and adjoining administrative offices were refurbished – the first significant such work in this area since the building was opened. This provided the opportunity to co-locate the Directors of the various academic disciplines.

In pursuit of our 'green' agenda, the programme of upgrading the lighting within the Renfrew St building to more energy-efficient LED technology continued over the course of the year and the Wallace Studios are about to become a pilot site for a new energy management system for a three-year trial period.

The Conservatoire has continued to engage with the Sauchiehall Street Regeneration Group, a collection of local stakeholders, seeking to improve the public realm and amenity within the local area.

IT initiatives completed during the year included:

- further development to the room-booking system to cover all staff and students and has resulted in a

- noticeable improvement in room utilisation rates;
- implementation of a new box office system that will improve customer interface, on-line functionality and marketing potential;
- the extension of Wi-Fi to the general public within the Renfrew Street building;
- the implementation of a new integrated HR/payroll system and upgrade to the finance system to comply with new regulatory requirements;
- an upgrade to the library management system.

Outcome Agreements

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

Although Scottish HEIs in general are in the process of moving to a three-yearly cycle of Outcome Agreements, in light of the timing of the appointment of a new Principal in September 2014, and with work on a new strategic plan through to 2020 under way, it was agreed with SFC that the Conservatoire should have an Outcome Agreement for one year only for 2015/16. Agreed key outcomes represent a continuation of those set out in the 2014-15 agreement.

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

The Conservatoire's 2014-15 Outcome Agreement and associated progress report can be found at https://www.rcs.ac.uk/about_us/aboutus/strategy-annual-accounts/

Partnerships and International Activity and Profile

A dialogue has commenced with the Central School of Drama Beijing with a view to collaboration, which will begin with a Summer School in Scotland in 2016.

The Conservatoire has started to offer Open Days specifically for Specialist UK Music Schools to build stronger links with this sector.

The second International Festival Encounters programme run jointly with the Edinburgh International Festival and the University of Edinburgh was held and attracted high quality participants with diverse arts backgrounds from across the world. Discussions are under way with the University to build on this initiative and develop a jointly-run Masters in Arts Entrepreneurship. Additionally, the Royal Conservatoire Voices featured with the Scottish Chamber Orchestra for a performance of *the Rake's Progress* at the Usher Hall as part of the International Festival programme.

The Conservatoire continued to offer a high level music summer school in Glasgow aimed at pre-HE students. The 2015 theme was Russian Classics' and featured Leland Chen.

The European Musical Instruments Archaeological Project (EMAP) has resulted in the Conservatoire working with partner institutions in several European countries. Part of the project will include a World Premiere concert to be staged in Glasgow in April 2016.

Equality, Diversity and Widening Participation

Three reports have been published during the year:

Mainstreaming Equality 2015 lays out the Conservatoire's commitment to equality and diversity, how that commitment is demonstrated and celebrates some of the successful outcomes;

Equality Outcomes Report 2015 lays out the five Equality Outcomes, what has been done to achieve these outcomes so far and a future action plan; and

Equal Pay Review 2015 provides information about the comparative earnings of men and women and has been extended to include data based on race and disability.

Staff and students can bid for support for the development of initiatives which:

- enhance equality and diversity as a whole in line with the general duties of the Equality Act 2010 (the Act)

- focus specifically on one or more of the protected characteristics identified within the Act
- contribute to the Conservatoire's access and inclusion agenda.

The Transitions 20/40 programme continues to expand and the Conservatoire now has a Widening Participation Team which is focused on recruitment, retention and progression of students in both pre-HE and HE. The results so far in terms of progression to higher education either within the Conservatoire or elsewhere are positive.

Access and employment of disabled persons

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

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

Health, Safety and Child Protection

A suite of on-line training programmes is now integral to the staff and student induction process, with modules in noise awareness, mental health awareness, asbestos and Legionella awareness. The Conservatoire has also invested in specialist health and safety training for Heads of Department.

In relation to child protection, all staff and students receive base line training, with certain relevant staff and students receiving more advanced training in child protection awareness. The Conservatoire is currently seeking to have its child protection provision "kite marked" by the NSPCC.

Human Resources

The Employee Assistance Programme which provides counselling and mental health provision has been extended to be offered also to students. By working collaboratively with the Glasgow School of Art to share counselling resources the availability of support has been extended.

Staff-student fora on Equality and Diversity, Well-being and Sustainability have begun to integrate their activities with ongoing curricular projects.

The Conservatoire is working towards achieving the "Healthy Working Lives" award to benefit students, with the final stage - the relaunch of the Smoking Cessation Policy to commence in October. Staff and student survey results of current provision have shown that work on such areas as the extension of the counselling and mental health provision to cover students and initiatives such as the Cycle Friendly Employer provision have been well received.

Financial Results

Financial Summary

	2015 £'000	2014 £'000
Income	19,475	18,142
Expenditure	<u>19,204</u>	<u>18,013</u>
Surplus on continuing operations	<u>271</u>	<u>129</u>
Capital expenditure	<u>368</u>	<u>4,808</u>
Cash at bank and in hand	<u>2,049</u>	<u>1,515</u>
Net current assets	<u>1,369</u>	<u>1,110</u>
Pension liability	<u>(2,979)</u>	<u>(1,200)</u>

The operating surplus for the year of £271,000 is better than the original budget of £206,000, assisted by overall

student recruitment exceeding target.

The position relating to the Conservatoire's involvement in Strathclyde Pension Fund has deteriorated significantly this year due in the main to a reduction in the assumptions for rates of return used in calculating the value of scheme assets. As a result, the net pension deficit at 31 July 2015 is £2,979,000 (2014: a deficit of £1,200,000). Accounting policy 1h and note 27 to the accounts disclose details of the treatment of pension assets/liabilities in the financial statements.

Cash on hand at 31 July 2015 was £2,049,000 (2014: £1,515,000).

Summary of Investment Performance

The Conservatoire's investments are managed on a discretionary basis by a professional fund manager on behalf of the Board of Governors and monitored by the Finance and General Purposes Committee. The total return for the year across the managed portfolio was +6.4% compared with the benchmark of +7.0%. A tender exercise for investment management services was conducted during the year and, as a result, Smith & Williamson were appointed and commenced the management of the investment portfolios in October 2015.

Risks and Uncertainties

Strategic Risks

The Conservatoire has identified the following risks associated with the achievement of the Strategic Plan

- meet growth targets for student recruitment;
- consistently build upon our international standing;
- manage reputational risks associated with student survey results in comparison with other conservatoires;
- ensure that there are comprehensive health and safety procedures and policies which are fully implemented
- provide sufficient management/staff capacity or project/change management capacity to deliver strategic objectives due to lack;
- manage the consequences of the occurrence of a serious child protection or adult at risk issue;
- maintain financial sustainability;
- implement robust procedures for protection of vulnerable groups (PVG) checking;
- deal with the implications of reporting operating deficits post-implementation of Financial Reporting Standard 102.

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

Managing the impact of possible funding cuts and achieving financial sustainability

As part of on-going operations the Senior Management Team, supported by a Governors' Financial Sustainability Group, are scenario planning and assessing the impact of future funding cuts in line with the latest information that is in the public domain. This involves both a review of the cost base and the identification of revenue generation opportunities.

Meeting student growth targets

A Recruitment and Retention Group comprising senior personnel establish recruitment targets and monitor progress on a regular basis of this increasingly complex aspect of the business. In overall terms across all categories including widening access, recruitment for the forthcoming year is slightly below expectations.

Effectively managing the volume of curricular review and the design and implementation of new programmes

The undergraduate curriculum review is being carefully phased over the 2015-16 academic session and the early part of the following session to allow adequate time and to assess the impact of funding announcements expected in spring 2016. Planned possible new programme activity will be relatively modest during this time to allow colleagues time to focus on the undergraduate review.

The negative impact of new financial reporting requirements: Financial Reporting Standard (FRS) 102 on reported results

The implementation of FRS 102 will have a significant impact on the reported operating results of the Conservatoire, partially due to changes to the requirements in accounting for donation-funded fixed assets, but principally due to changes in actuarial assumptions used to calculate the annual cost of the Conservatoire's interest in the Local Government Pension Fund.

Success of Pre-HE activities both to recruit talent and to widen access

The Transitions 20/40 programme is expanding annually and, together with the rest of the pre-HE activities, plays an increasingly important role in widening access, developing young talent and providing progression pathways to further or higher education either at the Conservatoire or at other institutions. The Conservatoire is investing further in management capacity to support the continued development of this area.

Fundraising for the estate development programme

In order to accommodate the planned growth in student numbers the Conservatoire is looking at options to develop and re-configure the estate to provide a greater number of practice and rehearsal spaces. The Conservatoire also plans to re-develop the frontage of the main Renfrew Street building to improve and expand the facilities for students, staff and patrons. Although there are some estate development funds remaining, these are insufficient to meet the likely cost of development. A Capital Campaign is being launched and the Conservatoire has this year appointed a Director of External Relations who will co-ordinate the Campaign effort.

New Programmes

The following new programmes are planned to be introduced:

Programme	Commencing
BA Performance in British Sign Language and English	September 2015
MEd Learning and Teaching in Performing Arts	September 2015
Doctor in the Performing Arts	September 2015
MA Arts Entrepreneurship	September 2016 (provisional)

Monitoring of Performance

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

	2014-15	2013-14
<u>Income growth and diversity</u>		
Operating surplus as a percentage of turnover	1.4%	0.7%
Earnings before Interest, Tax, Depreciation and Amortisation	£533K	£222K
Financial forecast operating surplus (based on existing FRS)		
2015-16	£205K	£81K
2016-17	£15K	£171K
2017-18	£48K	N/A
Percentage of funding		
SFC	55%	57%
Undergraduate and postgraduate tuition fees	28%	26%
Junior Conservatoire and Short course tuition fees	8%	8%
Box Office and letting	2%	2%
Donations and other income	7%	7%
<u>Infrastructure</u>		
Capital Investment as % of insurance value	1%	6%
Building condition		
Category A – as new	69%	59%
Category B- completely fit for purpose	31%	41%
<u>UG and PG Applicant demand, student achievement and satisfaction</u>		
Applicants:		
Scottish	1,221	1,275
EU	388	313
RUK	1,028	1,009
International	503	456
Total	3,140	3,053
Students:	No %	No %
Scottish	522 53	451 49
EU	105 11	135 15
RUK	216 22	193 21
International	140 14	140 15
Total	983 100	919 100
Applications: offers : acceptances	8 : 2 : 1	9 : 1 : 1
Percentage of applicants with a declared disability	11%	11%
Percentage of undergraduate and postgraduate students with a declared disability	27%	19%
Scots undergraduate applicants from SIMD 20/40 as percentage of total Scots applicants	23%	25%
Scots undergraduate entrants from SIMD 20/40 as percentage of total Scots entrants	24%	24%
Scots undergraduates from SIMD 20/40 as percentage of total Scots undergraduates	22%	21%
Ratio of undergraduate to postgraduate students	4 :1	4 :1
Student Achievement Rate ¹	94%	95%

	2014-15	2013-14
Course Completion Rate ²	89%	87%
<u>External engagement</u>		
National Student Survey overall satisfaction rating	79%	88%
HESA Destination of leavers percentage in work or further study	92%	92%
Number of internally generated student performances	400	370
Audience number	46,014	40,961
Audience number as a percentage of capacity	65%	54%

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

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

THE BOARD OF GOVERNORS OF THE ROYAL CONSERVATOIRE OF SCOTLAND

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

Primary Responsibilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reserved Powers

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

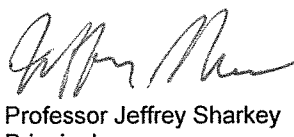
Payment of creditors

It is the Conservatoire's policy to obtain the best terms for all goods and services. There is thus no single policy as to the terms used. In agreements negotiated with suppliers, the Conservatoire endeavours to include and abide by specific payment terms. The creditors' balance at 31 July 2015 represented 4% of total purchases for the year, equivalent to 14 creditor days. No interest was paid in terms of the Late Payments of Commercial Debts (interest) Act 1998.

APPROVED BY THE GOVERNORS ON 30 OCTOBER 2015 AND SIGNED ON THEIR BEHALF BY



Lord Vallance of Tummel
Chairman



Professor Jeffrey Sharkey
Principal

GOVERNOR'S REPORT***Honorary doctorates of the Royal Conservatoire of Scotland***

The following received honorary doctorates during the academic session 2014-15

Doctor of the Conservatoire

Celia Duffy

Doctor of Music

Susan Boyle

Governors

The Governors set out in the table below have held office during the whole of the period from 1 August 2014 to the date of this report unless otherwise noted.

Independent Core Governors

Lord Vallance of Tummel (Chairman)
 Sir Sandy Crombie (Vice Chairman)
 Miss Eileen Mackay CB (Vice Chairman)
 Ms Joyce Goodwin
 Mr John Hylands (Senior Independent Governor)
 Dr Steve Inch OBE (to 1 February 2015)
 Dr Paul Jourdan
 Mr Mark Leishman LV
 Mr Donald MacRae OBE
 Mr Gavin Reid
 Professor Norman Gillies OBE
 Ms Carol Main MBE
 Professor Norman Sharp OBE
 Mrs Agnes Robson
 Dr Cindy Sughrue OBE

Governors ex officii

The Principal:

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

The President, Students' Union:

Mr Ian McBain (to 30 June 2014)
 Ms Ankna Arockiam (from 1 July 2015)

The Vice President, Students' Union

Amin Kushmiri (from 1 July 2015)

Professor Maggie Kinloch, Deputy Principal

Staff Governors-elected

Mr Matthew Chinn (Support Staff) (to 30 October 2014)
 Ms Catherine Jackson (Support Staff) (from 1 November 2014)
 Dr Gordon McPherson (Academic Board)
 Mr Mark Saunders (Academic Staff) (to 23 April 2015)
 Ms Laura Bissell (Academic Staff) (from 24 April 2015)

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

The Register of Governors' interests can be viewed on the website at

http://www.rcs.ac.uk/about_us/governors/register/

Directors' and Officers' liability insurance

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

Governors' interests

Ankna Arockiam	60 ordinary shares of £1
Laura Bissell	60 ordinary shares of £1
Catherine Jackson	60 ordinary shares of £1
Lord Vallance (Chairman)	60 ordinary shares of £1
Jeffrey Sharkey	60 ordinary shares of £1

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

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

Student and Staff Engagement in Governance and Quality Processes

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

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

Fixed assets

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

Auditors

A review took place during the year and, as a result, Grant Thornton LLP resigned as external auditors and Chiene & Tait LLP were appointed as external auditors on 24th April 2015 to fill the residual vacancy.

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

APPROVED BY THE GOVERNORS ON 30 OCTOBER 2015 AND SIGNED ON THEIR BEHALF BY

Lord Vallance of Tummel
Chairman

Professor Jeffrey Sharkey
Principal

CORPORATE GOVERNANCE STATEMENT

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

All Governors are made aware of the Governor Development Programme offered by the Leadership Foundation for Higher Education and in 2014/15 there were three attendances at Leadership Foundation events.

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

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

Details of the Governors are set out on page 14.

The Board consists of

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

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

The business of the Conservatoire is overseen by the Board of Governors who may exercise all the powers of the company. The statement of Governors' responsibilities for preparing the financial statements is set out on page 19.

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

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

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

The **Remuneration Committee** is responsible for:

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

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

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

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

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

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

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

Scottish Code of Good HE Governance

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

Risk Control

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

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

In summary, a suitable process for identifying, evaluating and managing the significant risks faced by the Conservatoire has been in place for the year under review and up to the date of approval of these financial statements. The process is regularly reviewed and accords with the guidance in the Accounts Direction for Scottish Higher Education Institutions 2014-15.

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

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

Governors Statement on Annual Report and Financial Statements

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

Going Concern

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

Approved by the Governors on 30 October 2015 and signed on their behalf by



Lord Vallance of Tummel
Chairman



Professor Jeffrey Sharkey
Principal

STATEMENT OF GOVERNORS' RESPONSIBILITIES

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

The Governors are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Conservatoire and which enable them to ensure that the financial statements are prepared in accordance with the Companies Acts, the Accounts Direction issued by Scottish Funding Council, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions effective from 1 August 2007 and other relevant accounting standards.

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

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

The Governors have taken reasonable steps to:-

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

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

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

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

Statement as to disclosure of information to auditors

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

This report was approved by the Board of Governors on 30 October 2015 and signed on its behalf by:



Lord Vallance of Tummel
Chairman



Professor Jeffrey Sharkey
Principal

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

We have audited the financial statements of the Royal Conservatoire of Scotland (the Conservatoire) for the year ended 31 July 2015 which comprise the Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Statement of Total recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board of Governors and auditor

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

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Conservatoire's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Governors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Conservatoire's affairs as at 31 July 2015, and of its incoming resources and application of resources, including its income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditor's Report to the Board of Governors of the Royal Conservatoire of Scotland (continued)**Opinion on other matters prescribed by the Scottish Funding Council's Financial Memorandum dated December 2014**

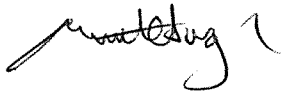
In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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

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



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

6 November 2015

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

Royal Conservatoire of Scotland

Financial Statements for the Year Ended 31 July 2015

Income and Expenditure Account for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
INCOME			
Funding body grants	2	10,673	10,334
Tuition fees and education contracts	3	7,080	6,122
Research grants and contracts	4	162	82
Other income	5	1,154	1,279
Endowment and investment income	6	406	325
Total Income		<u>19,475</u>	<u>18,142</u>
EXPENDITURE			
Staff costs	7	13,929	12,827
Other operating expenses	9	4,324	4,175
Depreciation	10	951	1,011
Total Expenditure		<u>19,204</u>	<u>18,013</u>
Surplus on continuing operations retained within general reserves		<u>271</u>	<u>129</u>

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

Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Surplus on continuing operations		<u>271</u>	<u>129</u>
Surplus for the year retained within general reserves	20	271	129
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	9	1
Historical cost surplus for the year		<u>280</u>	<u>130</u>

Statement of Total Recognised Gains and Losses for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Surplus on continuing operations credited to revenue reserves	20	<u>271</u>	<u>129</u>
Pension reserve movement	27	(1,757)	(1,893)
Increase in valuation of investments	19	40	274
		<u>(1,446)</u>	<u>(1,490)</u>
Decrease in endowment and restricted funds	17	(6)	(3,929)
Total recognised losses relating to the year		<u>(1,452)</u>	<u>(5,419)</u>
Reconciliation			
Opening reserves and endowments		6,717	12,136
Total recognised losses relating to the year		(1,452)	(5,419)
Closing reserves and endowments		<u>5,265</u>	<u>6,717</u>


Royal Conservatoire of Scotland

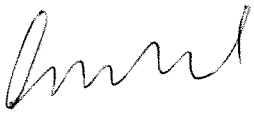
Financial Statements for the Year Ended 31 July 2015


Balance Sheet as at 31 July 2015
(Company Registration No.4703)

	Note	2015 £'000	2014 £'000
Tangible assets	10	34,887	35,482
Investments	11	1,728	1,741
Total fixed assets		<u>36,615</u>	<u>37,223</u>
Pension Liability	27	(2,979)	(1,200)
Endowment assets	12	2,794	2,800
Debtors	13	849	782
Cash at bank and in hand		2,049	1,515
Total current assets		<u>2,898</u>	<u>2,297</u>
Less: Creditors - amounts falling due within one year	14	<u>(1,529)</u>	<u>(1,187)</u>
Net current assets		<u>1,369</u>	<u>1,110</u>
Total assets less current liabilities		37,799	39,933
Less: Provisions for liabilities and charges	15	<u>(615)</u>	<u>(616)</u>
Net assets		<u>37,184</u>	<u>39,317</u>
Deferred capital grants	16	31,911	32,592
Endowment funds	17		
Permanent		1,556	1,533
Expendable		1,238	1,267
		<u>2,794</u>	<u>2,800</u>
Share capital	18	8	8
Revaluation reserve	19	1,212	1,188
Capital reserve	20	505	505
Revenue reserves	20	3,733	3,424
Reserves excluding pension reserve		<u>5,450</u>	<u>5,117</u>
Pension reserve	20	(2,979)	(1,200)
Total reserves		<u>2,471</u>	<u>3,917</u>
Total		<u>37,184</u>	<u>39,317</u>

The financial statements on pages 23 to 47 were approved by the Board of Governors on 30 October 2015 and were signed on its behalf on that date by:


Professor Jeffrey Sharkey
Designated Officer


Alan Smith
Director of Finance and Estates


Lord Vallance of Tummel
Chairman

Royal Conservatoire of Scotland

Financial Statements for the Year Ended 31 July 2015

Cash Flow Statement for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Net cash inflow/(outflow) from operating activities	23	432	(4,325)
Returns on investments and servicing of finance	24	355	273
Capital expenditure and financial investment	25	(253)	(285)
Increase/(decrease) in cash in the year	26	<u>534</u>	<u>(4,337)</u>

Reconciliation of net cash flow to movement in net funds

	Note	2015 £'000	2014 £'000
Increase/(decrease) in cash in the year and movement in net funds	26	534	(4,337)
Net funds at 1 August	26	<u>3,125</u>	<u>7,462</u>
Net funds at 31 July	26	<u>3,659</u>	<u>3,125</u>

Notes to the Financial Statements

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

a Basis of Accounting

The accounts have been prepared under the historical cost convention, modified to include investments at market value and the revaluation of certain musical instruments, and in accordance with the requirements of the Companies Act 2006, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions (2007) and applicable accounting standards.

b Tangible Fixed Assets

1. Land and Buildings

The Conservatoire's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings are stated in the balance sheet at cost. The main Conservatoire freehold buildings are depreciated over their expected useful economic life to the institution of 100 years. The Wallace Studios which is built on leasehold land is depreciated over its remaining useful life of 90 years (2014: 30 years).

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

2. Equipment

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

Furniture, Fittings, Fixtures and Equipment	20% per annum
---	---------------

3. Musical Instruments

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

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

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

Notes to the Financial Statements (continued)

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

c Investments

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

d Liquid Resources

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

e Provisions

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

f Recognition of Income

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

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

Tuition fee and education contract income is recognised in the year to which it relates.

Income from investments, including tax credits, is recognised on a receivable basis.

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

g Maintenance of Premises

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

Notes to the Financial Statements (continued)

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

h Pension Costs

The Conservatoire participates in three pension schemes two of which provide benefits based on final pensionable pay, the Strathclyde Pension Fund and Scottish Teachers Superannuation Scheme. Both of these schemes are available to staff of more than one employer, are contracted out of the State Earnings-Related Pension Scheme, and the assets of the schemes are held separately from those of the Conservatoire. The Funds are valued by actuaries, the rates of contributions being determined by the trustees on the advice of the actuaries. The schemes are accounted for under Financial Reporting Standard 17 - Retirement Benefits (FRS17). The third pension scheme is a defined contribution scheme; The Universities and Colleges Retirement Savings Scheme (UCRSS). This scheme is available to all staff.

Strathclyde Pension Fund

The scheme is a defined benefit scheme.

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

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

Scottish Teachers' Superannuation Scheme

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

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

i Taxation Status

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

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

j Operating Leases

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

Royal Conservatoire of Scotland

Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

2 FUNDING BODY GRANTS

		2015	2014
	Note	£'000	£'000
SFC			
Recurrent grant for teaching		9,749	9,421
Research development foundation		167	179
Research postgraduate grant		73	72
Specific initiative grants:			
Disabled student premium		52	52
Knowledge Exchange Innovations		-	10
Knowledge Transfer Grant		150	81
Deferred capital grants released in year:			
Buildings	16	239	235
Equipment	16	243	284
		<u>10,673</u>	<u>10,334</u>

3 TUITION FEES AND EDUCATION CONTRACTS

Scotland and European Union(EU) students U/G		60	64
RUK students(old fee rates) U/G		59	145
RUK students(new fee rates) U/G		1,221	718
Scotland and European Union(EU) students P/G		655	489
RUK students P/G		353	219
Non -EU students		2,025	2,008
UK further education students *		1,601	1,422
Registration Fees		167	147
Total fees paid by or on behalf of individual students		<u>6,141</u>	<u>5,212</u>
Higher Education contracts		921	886
Other contracts		18	24
Total		<u>7,080</u>	<u>6,122</u>

* relates to Short Courses and Youthworks programme

Royal Conservatoire of Scotland

Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

	Note	2015 £'000	2014 £'000
4 RESEARCH GRANTS AND CONTRACTS			
Miscellaneous research grants and contracts		<u>162</u>	<u>82</u>
5 OTHER INCOME			
Income from front of house		303	334
Sundry income		282	177
Leadership Foundation		-	10
European Funded Projects		25	29
RCS Works		59	61
Sponsorship and donations		171	216
JISC Transformations Programme		-	6
Gaelic Masters Project		7	1
ESRC Studentships		14	42
QAA Income		6	8
Release of Opera School appeal donations	16	54	53
Release of Deferred Capital Grants (non SFC):			
Buildings	16	109	207
Equipment	16	66	51
Focus West project grant		63	64
(Loss)/gain on sale of investments		<u>(5)</u>	<u>20</u>
		<u>1,154</u>	<u>1,279</u>
6 INVESTMENT AND ENDOWMENT INCOME			
Investment income		63	56
Bank interest		6	5
Pension Fund net interest		<u>286</u>	<u>212</u>
		355	273
Endowment Income		<u>51</u>	<u>52</u>
		<u>406</u>	<u>325</u>

Notes to the Financial Statements (continued)

7 STAFF COSTS

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

	2015 Number	2014 Number
Senior Management	5	5
Teaching staff	183	162
Teaching support	26	27
Research grants and contracts	5	4
Other support services	16	16
Administration and central services	64	65
Premises	35	32
Other income generating activities	2	3
	<u>336</u>	<u>314</u>

Staff costs for the above persons:

	2015 £'000	2014 £'000
	Note	
Wages and salaries	11,296	10,491
Social security costs	764	710
Other pension costs	27	1,425
Other staff costs	161	201
	<u>13,929</u>	<u>12,827</u>

Senior Management	554	497
Teaching staff	8,126	7,395
Teaching support	799	721
Research grants and contracts	272	257
Other support services	842	674
Administration and central services	2,260	2,328
Premises	1,019	901
Other income generating activities	57	54
	<u>13,929</u>	<u>12,827</u>

Governors' salaries(included therein)

Salaries(staff members)	317	326
Pension contributions	44	48
	<u>361</u>	<u>374</u>

The number of Governors accruing benefits under pension schemes during the year was 5 (2014:4)

Notes to the Financial Statements (continued)

7 STAFF COSTS (continued)

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

	2015	2014
	£'000	£'000
Current Principal (from 1st September 2014)		
Salary	124	-
Pension contributions	18	-
Benefits in kind*	5	28
	<u>147</u>	<u>28</u>
Accrued pension as at 31 July	2	-
Accrued lump sum as at 31 July	6	-

* Benefits in kind relate to private medical insurance and to relocation costs (2014: Relocation costs)

	2015	2014
	£'000	£'000
Previous Principal (to 31st August 2014)		
Salary	10	125
Pension contributions	2	19
Benefits in kind	-	-
	<u>12</u>	<u>144</u>
Accrued pension as at 31 July	-	20
Accrued lump sum as at 31 July	-	59

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

	2015	2014
	Number	Number
Nil	15	16
£1 - £10,000	2	1
£10,001 - £20,000	4	1
£30,001 - £40,000	1	-
£40,001 - £50,000	-	2
£80,001 - £90,000	1	1
£120,001 - £130,000	1	1

The Deputy Principal serves on the Board of the Scottish Funding Council and received remuneration of £11,556 during the year (2014: £11,556).

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

	2015	2014
	Number	Number
£70,001 - £80,000	1	-

8 TRAVEL AND SUBSISTENCE

	2015	2014
	£'000	£'000
Travel and subsistence - Board members	11	3
Staff	47	49
Hospitality - Board members	4	4
Staff	15	12
	<u>77</u>	<u>68</u>

Notes to the Financial Statements (continued)

9 OTHER OPERATING EXPENSES

	2015	2014
	£'000	£'000
Teaching departments	1,354	1,432
Contracted-out lecturing services	256	279
Teaching support services	64	96
Other support services	375	183
Administration and central services	650	787
General education	202	187
Premises costs	529	538
Repairs, renewals and maintenance	282	226
Other income generating activities	390	115
Agency Staffing Costs	3	112
Other expenses	219	220
	<u>4,324</u>	<u>4,175</u>

Other operating expenses include:

		2015	2014
		£'000	£'000
Auditors' remuneration	External audit	13	15
	FFELP Contract	2	2
	Internal audit	15	16
Loss on disposal of assets		12	8

Notes to the Financial Statements (continued)

10 TANGIBLE ASSETS

	Freehold Building £'000	Leasehold Buildings £'000	Furn/Fixt/ Fittings/ Equipment £'000	Stringed Instruments £'000	Other Musical Instruments £'000	Total £'000
<i>Cost or valuation</i>						
At 1 August 2014	28,302	11,807	4,519	930	429	45,987
Additions	-	30	338	-	-	368
Transfers	-	-	-	-	-	0
Disposals	-	-	(398)	-	-	(398)
Revaluations	-	-	-	-	-	0
At 31 July 2015	<u>28,302</u>	<u>11,837</u>	<u>4,459</u>	<u>930</u>	<u>429</u>	<u>45,957</u>
<i>Aggregate</i>						
<i>Depreciation</i>						
At 1 August 2014	6,152	809	3,377	20	147	10,505
Depreciation charge	285	132	492	9	33	951
Disposals	-	-	(386)	-	-	(386)
Revaluations	-	-	-	-	-	0
At 31 July 2015	<u>6,437</u>	<u>941</u>	<u>3,483</u>	<u>29</u>	<u>180</u>	<u>11,070</u>
<i>Net Book Value</i>						
NBV at 1 August 2014	<u>22,150</u>	<u>10,998</u>	<u>1,142</u>	<u>910</u>	<u>282</u>	<u>35,482</u>
NBV at 31 July 2015	<u>21,865</u>	<u>10,896</u>	<u>976</u>	<u>901</u>	<u>249</u>	<u>34,887</u>
<i>Financed by :</i>						
SFC capital grants and receipts	17,000	1,859	27	44	36	18,966
Other grants	4,448	8,190	128	22	-	12,788
Other	417	847	821	835	213	3,133
	<u>21,865</u>	<u>10,896</u>	<u>976</u>	<u>901</u>	<u>249</u>	<u>34,887</u>

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

The Alexander Gibson Opera School may not be sold without the written permission of Creative Scotland.

In the event of a sale or disposal, Creative Scotland's share of the proceeds shall be in direct proportion to the share of the project costs originally met from the Lottery.

Royal Conservatoire of Scotland

Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

11 INVESTMENTS

	General Fund 2015 £'000	Total 2014 £'000
Market value at 1 August	1,741	1,744
Additions	285	363
Disposals	(338)	(335)
Increase/(decrease) in market value	40	(31)
Market value at 31 July	<u>1,728</u>	<u>1,741</u>

Listed investments	2015 Market Value £'000	2015 Cost £'000	2014 Market Value £'000	2014 Cost £'000
Fixed interest stocks	569	565	559	550
Equities	<u>1,159</u>	<u>959</u>	<u>1,182</u>	<u>1,020</u>
	<u>1,728</u>	<u>1,524</u>	<u>1,741</u>	<u>1,570</u>

12 ENDOWMENT ASSETS

	Prize Fund £'000	Piano Fund £'000	Capital Campaign £'000	Other £'000	2015 Total £'000	2014 Total £'000
Market value at 1 August	477	713	-	-	1,190	1,187
Additions	71	104	-	-	175	236
Disposals	(85)	(125)	-	-	(210)	(218)
Increase/(decrease) in market value as at 31 July	11	18	-	-	29	(15)
Market value at 31 July	<u>474</u>	<u>710</u>	<u>-</u>	<u>-</u>	<u>1,184</u>	<u>1,190</u>
Cash and debtors (Note 26)	348	24	1,068	170	1,610	1,610
	<u>822</u>	<u>734</u>	<u>1,068</u>	<u>170</u>	<u>2,794</u>	<u>2,800</u>
Fixed interest stocks	150	219	-	-	369	362
Equities	324	491	-	-	815	828
Cash and debtors	348	24	1,068	170	1,610	1,610
	<u>822</u>	<u>734</u>	<u>1,068</u>	<u>170</u>	<u>2,794</u>	<u>2,800</u>

Notes to the Financial Statements (continued)

13 DEBTORS

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	141	83
Debts due from students - net of provision for doubtful debts	82	31
Other debtors	70	71
Prepayments and accrued income	536	559
	<u>829</u>	<u>744</u>
Amounts falling due after one year:		
Other debtors	<u>20</u>	<u>38</u>

14 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	121	303
Other creditors	344	101
Accruals and deferred income	1,025	688
Scottish Government Instrument Fund - Amounts payable to recipients	39	95
	<u>1,529</u>	<u>1,187</u>

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions £'000
Balance at 1 August 2014	616
Increase in provision	45
Paid/released	(46)
Balance at 31 July 2015	<u>615</u>

A valuation of the existing pension provision was carried out at 31 July 2015 by Hymans Robertson, an independent firm of actuaries.

Notes to the Financial Statements (continued)

16 DEFERRED CAPITAL GRANTS AND RECEIPTS

	SFC Grants £'000	SOEID Grants £'000	Opera School Donations £'000	Other £'000	Total £'000
Balance at 1 August 2014					
Buildings	5,003	14,230	4,498	7,898	31,629
Equipment	479	-	-	484	963
Total	5,482	14,230	4,498	8,382	32,592
Received during the year					
Buildings	-	-	-	30	30
Equipment	-	-	-	-	-
Released to Income and Expenditure Account					
Buildings depreciation	(49)	(190)	(54)	(109)	(402)
Equipment depreciation	(243)	-	-	(66)	(309)
Total	5,190	14,040	4,444	8,237	31,911
Balance at 31 July 2015					
Buildings	4,954	14,040	4,444	7,819	31,257
Equipment	236	-	-	418	654
Total	5,190	14,040	4,444	8,237	31,911

Notes to the Financial Statements (continued)

17 ENDOWMENT FUNDS - PERMANENT

	Prize Fund Capital £'000	Prize Fund Accumulated Income £'000	Piano Fund Capital £'000	Total £'000
Balance at 1 August 2014	643	171	719	1,533
<i>Income</i>				
Funds introduced	-	1	2	3
Investment income	-	18	22	40
Gain/(loss) on sale of investments	(6)	6	-	-
Increase in value of investments	11	-	18	29
	<u>648</u>	<u>196</u>	<u>761</u>	<u>1,605</u>
<i>Expenditure</i>				
Prizes	-	(18)	-	(18)
Transfer to income and expenditure account to meet expenditure incurred	-	-	(22)	(22)
Management fees	-	(4)	(5)	(9)
Balance at 31 July 2015	<u>648</u>	<u>174</u>	<u>734</u>	<u>1,556</u>

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

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

Royal Conservatoire of Scotland

Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

17 ENDOWMENT FUNDS - EXPENDABLE

	Cunningham Bequest £'000	Instrument Fund £'000	International Chair/Fellows Fund £'000	Capital Campaign Fund £'000	Total £'000
Balance at 1 August 2014	83	70	20	1,094	1,267
<i>Income</i>					
Funds/capital introduced	-	25	-	-	25
Investment income	-	-	-	4	4
	<u>83</u>	<u>95</u>	<u>20</u>	<u>1,098</u>	<u>1,296</u>
<i>Expenditure</i>					
Transfer to deferred capital grant	-	-	-	(30)	(30)
Transfer to income and expenditure account to meet expenditure incurred	(28)	-	-	-	(28)
Balance at 31 July 2015	<u>55</u>	<u>95</u>	<u>20</u>	<u>1,068</u>	<u>1,238</u>
Of which:					
Capital	-	-	-	863	863
Accumulated income	<u>55</u>	<u>95</u>	<u>20</u>	<u>205</u>	<u>375</u>
	<u>55</u>	<u>95</u>	<u>20</u>	<u>1,068</u>	<u>1,238</u>

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

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

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

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

Notes to the Financial Statements (continued)

18 SHARE CAPITAL

	2015 £	2014 £
<u>Authorised:</u>		
15,000 Ordinary Shares of £1 each	15,000	15,000
<u>Allotted, Issued and Fully Paid:</u>		
7,284 Ordinary Shares of £1 each	7,284	7,284
<u>Allotted and Issued</u>		
300 Ordinary Shares of £1 each	300	300
	<u>7,584</u>	<u>7,584</u>

19 REVALUATION RESERVE

	Investments £'000	Tangible Assets £'000	Total £'000
Balance at 1 August 2014	170	1,018	1,188
Transfer to general reserves in respect of loss on disposal of investments	(7)	-	(7)
Revaluation of Investments	40	-	40
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	-	(9)	(9)
Balance at 31 July 2015	<u>203</u>	<u>1,009</u>	<u>1,212</u>

20 GENERAL RESERVES

	Capital £'000	Revenue £'000	Pension £'000	Total £'000
Balance at 1 August 2014	505	3,424	(1,200)	2,729
Surplus for the year before transfers from revaluation reserve	-	271	-	271
Transfer from revaluation reserve	-	16	-	16
Pension reserve (Note 27)	-	-	(1,757)	(1,757)
Transfer between reserves	-	22	(22)	-
Balance at 31 July 2015	<u>505</u>	<u>3,733</u>	<u>(2,979)</u>	<u>1,259</u>

Notes to the Financial Statements (continued)

21 LEASE OBLIGATIONS

	2015 £'000	2014 £'000
Annual operating lease commitments in respect of lease of premises expiring:		
Over five years	<u>792</u>	<u>729</u>
Annual operating lease commitments in respect of lease of musical instruments expiring:		
Within one year	<u>-</u>	<u>-</u>
Within two and five years inclusive	<u>187</u>	<u>172</u>
Over five years	<u>-</u>	<u>-</u>

22 CAPITAL COMMITMENTS

	2015 £'000	2014 £'000
Commitments contracted at 31 July	-	-
Authorised but not contracted at 31 July	-	-

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

	2015 £'000	2014 £'000
Surplus before transfers	271	129
Pension costs less contributions payable	22	(96)
Loss on sale of assets	12	8
Loss/(gain) on sale of investments	5	(33)
(Increase)/decrease in value of investments	(40)	46
Depreciation charge (Note 10)	951	1,011
Transfer from deferred grant (Note 16)	(657)	(777)
Transfer from Opera School appeal donations (Note 5)	(54)	(53)
Increase/(decrease) in creditors	342	(1,163)
(Increase)/decrease in debtors	(67)	827
Net cash inflow from investments	(355)	(273)
(Increase)/decrease in endowment funds	3	(3,970)
Net transfers (from)/to provisions	(1)	19
Net cash inflow/(outflow) from operating activities	<u>432</u>	<u>(4,325)</u>

Royal Conservatoire of Scotland

Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

24 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2015 £'000	2014 £'000
Investment income	63	56
Other interest received	6	5
Pension fund net interest	286	212
	<u>355</u>	<u>273</u>

25 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2015 £'000	2014 £'000
Capital grants and donations for capital initiatives	30	4,311
Additions to tangible fixed assets - excluding donated assets (Note 10)	(368)	(4,583)
Proceeds - sale of investments	545	586
Purchase of fixed asset investments (Note 11)	(285)	(363)
Purchase of endowment asset investments (Note 12)	(175)	(236)
	<u>(253)</u>	<u>(285)</u>

26 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2014 £'000	Cash Flows £'000	At 31 July 2015 £'000
Cash in hand and at bank	1,515	534	2,049
Endowment asset cash and debtors	1,610	-	1,610
	<u>3,125</u>	<u>534</u>	<u>3,659</u>

Notes to the Financial Statements (continued)

27 PENSION COMMITMENTS

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

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

The total pension cost for the year was :

	2015 £'000	2014 £'000
Contributions to STSS	613	566
Contributions to SPF	1,050	806
	<u>1,663</u>	<u>1,372</u>
Increase in pension provision	45	65
	<u>1,708</u>	<u>1,437</u>

The actual cost of contributions paid by the Conservatoire during the year to the SPF was £750,000.

There were no outstanding contributions payable at 31 July 2015.

Scottish Teachers' Superannuation Scheme

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

Valuation Method: Prospective benefits

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

The results of this valuation were rolled forward to give a liability of £24,000M at 31 March 2013 on the basis of the following assumptions

Rate of return(discount rate)	4.1%
Rate of return in excess of:	
Earning increases:	0.2%
Price increases	2.35%

Notes to the Financial Statements (continued)

27 PENSION COMMITMENTS(continued)

The employer contribution rate for the period from 1 August 2014 to 31 July 2015 was 14.9% of pay. The employee contribution rate from 1 August 2014 to 31 July 2015 was a variable rate depending on the level of salary ranging from 7.2% to 11.9%. The scheme is an unfunded scheme and it is not intended that the scheme will have a level of financial assets which match the liabilities of the scheme. The full actuarial review of the scheme is available from the Government Actuary's Department.

Strathclyde Pension Fund

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

The employer contribution rate for the period from 1 August 2014 to 31 July 2015 was 19.3% of pay. The employee contribution rate for the period from 1 August 2014 to 31 July 2015 was a variable rate dependent upon the level of salary ranging from 5.5% to 9.1%.

A valuation of the Conservatoire's benefit obligations in respect of its members has been made by a qualified independent actuary based on the 31 March 2011 valuation results, rolled forward onto the FRS 17 assumptions at 31 July 2015.

The major assumptions used are shown below.

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

Financial assumptions

	2015	2014
	%	%
Pension increase	2.7	2.7
Salary increase rate	4.6	5.0
Expected return on assets	3.7	6.0
Discount rate	3.7	4.0

The 2014 opening % rates for expected return on assets and discount rate are used in calculating the 2015 position.

Mortality assumptions

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

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

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

	2015		2014		
	Long term rate of return %	Value £'000	Long term rate of return %	Value £'000	
Equities	3.7	14,165	6.6	12,636	
Bonds	3.7	2,267	3.5	1,995	
Property	3.7	2,267	4.7	1,164	
Cash	3.7	189	3.6	831	
		<u>18,888</u>		<u>16,626</u>	
	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Fair value of plan assets	18,888	16,626	14,926	11,868	10,492
Present value of funded defined benefit obligations	<u>(21,867)</u>	<u>(17,826)</u>	<u>(14,329)</u>	<u>(13,590)</u>	<u>(10,063)</u>
Net Asset/(liability)	<u>(2,979)</u>	<u>(1,200)</u>	<u>597</u>	<u>(1,722)</u>	<u>429</u>

The Universities and Colleges Retirement Savings Scheme

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

Royal Conservatoire of Scotland

Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

27 PENSION COMMITMENTS(continued)

Movements in fair value of plan assets	2014 - 2015 £'000	2013 - 2014 £'000
At 1 August	16,626	14,926
Expected return on plan assets	1,020	890
Actuarial losses	470	77
Contributions by the employer	742	690
Contributions by members	246	232
Benefits paid	(216)	(189)
At 31 July	<u>18,888</u>	<u>16,626</u>
Movements in present value of defined benefit obligations	2014 - 2015 £'000	2013 - 2014 £'000
At 1 August	17,826	14,329
Current service cost	1,050	806
Interest cost	734	678
Actuarial losses	2,227	1,970
Contributions by members	246	232
Benefits paid	(216)	(189)
At 31 July	<u>21,867</u>	<u>17,826</u>
Expense recognised in the income and expenditure account	2015 £'000	2014 £'000
Current service cost	1050	806
Total operating charge	<u>1050</u>	<u>806</u>
Expected return pension scheme assets	(1,020)	(890)
Interest cost	734	678
Total net finance return	<u>(286)</u>	<u>(212)</u>
Total pension cost recognised in the income and expenditure account	<u>764</u>	<u>594</u>

Royal Conservatoire of Scotland

Financial Statements for the Year Ended 31 July 2015

Notes to the Financial Statements (continued)

27 PENSION COMMITMENTS(continued)

	2015	2014
	£'000	£'000
Statement of total recognised gains and losses		
Actuarial loss in present value of defined benefit obligations	(2,227)	(1,970)
Actuarial gain in fair value of plan assets	470	77
	<u>(1,757)</u>	<u>(1,893)</u>
Cumulative actuarial losses	<u>(4,898)</u>	<u>(3,141)</u>

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

	2015	2014
	£'000	£'000
Balance sheet		
Present value of scheme liabilities	(21,867)	(17,826)
Fair value of scheme assets	18,888	16,626
Net (Liability)/asset	<u>(2,979)</u>	<u>(1,200)</u>

28 CONTINGENT LIABILITIES

Contingent liabilities represent items that, at 31 July 2015, are not recognised in the Balance Sheet because there is significant uncertainty at that date as to the necessity for the Conservatoire to make payments in respect of them.

	2015	2014
Guarantee to ELIA NE@XT Accelerator project	€40,000	Nil

29 RELATED PARTY TRANSACTIONS

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

The Board member and the significant related party transactions with their associated organisations during the year to 31 July 2015 are detailed below:

Member	Organisation	Relationship	Nature of Transaction	Value of Transaction
Professor Kinloch	Creative Scotland	Director	Course Development Grant received	£40,000
Professor Kinloch	Creative Scotland	Director	Grant Received	£11,250

Professor Kinloch was appointed as Director of Creative Scotland on 17 July 2015.

30 DISCRETIONARY AND CHILDCARE FUNDS

	Childcare £'000	Discretionary £'000	Total £'000
Balance unspent at 1 August 2014	4	13	17
Allocation Received in year	12	44	56
Expenditure	<u>(4)</u>	<u>(54)</u>	<u>(58)</u>
Balance unspent at 31 July 2015	<u>12</u>	<u>3</u>	<u>15</u>
Repayable as claw back	12	3	15

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

31 SUBSIDIARY COMPANY

ISME 2016 Limited was incorporated on 9th April 2015 Company number SC502858. This is a special purpose vehicle and a wholly owned subsidiary of the Royal Conservatoire of Scotland established to run the International Society for Music Education (ISME) conference in Glasgow in July 2016. There have been no financial transactions during the year ended 31st July 2015.

Royal Conservatoire of Scotland

COMMITTEE MEMBERSHIPS

Members of main committees reporting to the Board of Governors served during the whole of the year to 31 July 2015 unless otherwise stated.

Academic Board

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

Health and Safety

Cindy Sughrue (Convenor)
Deputy Principal
Director – School of Music
Director – School of DDPS
Director of Music
Director of DDPS
President of the Students' Union
Elected Academic Staff Governor
Elected Support Staff Governor
Trade union representative
Health and Safety Adviser
Carol Main

Finance and General Purposes

Donald MacRae (Convenor)
Chairman of the Board
Principal
Joyce Goodwin
Mark Leishman
Eileen Mackay
Gavin Reid

Remuneration

Chairman of the Board
Sandy Crombie
Eileen Mackay (Convenor)
Donald MacRae
Agnes Robson

Audit

John Hylands (Convenor)
Eileen Mackay
Norman Sharp
Agnes Robson

Risk Management Group

Director of Finance & Estates (Convenor)
Principal
Deputy Principal
Director – School of Music
Director – School of DDPS
Director of Human Resources
Conservatoire Secretary
Director of Academic Innovation
Director of External Relations
Gavin Reid

Buildings

Steve Inch (Convenor) (to 1st February 2015)
Principal
Chairman of the Board
Gavin Reid
Donald MacRae

Nominations

Chairman of the Board (Convenor)
Principal
Sandy Crombie
John Hylands
Eileen Mackay
Elected Academic Staff Governor
Elected Support Staff Governor
Student Union President
Cindy Sughrue

Royal Conservatoire of Scotland

PROFESSIONAL ADVISERS

Bankers

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

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

HSBC
2 Buchanan Street
Glasgow
G1 3LB

External Auditors

Grant Thornton UK LLP (to 23rd April 2015)
95 Bothwell Street
Glasgow G2 7JZ

Chiene & Tait LLP (From 24th April 2015)
61 Dublin Street
Edinburgh
EH3 6NL

Internal Auditors

Scott Moncrieff (from 1st August 2014)
Exchange Place 3
Semple Street
Edinburgh EH3 8BL

Solicitors

MacRoberts LLP
Capella, 60 York Street
Glasgow G2 8JX

Clyde & Co formerly Simpson & Marwick
58 Albany Street
Edinburgh
EH1 3QR

Pinsent Masons
123 St Vincent Street
Glasgow G2 5EA

Investment Advisers

Tilney Best Invest
130 St Vincent Street
Glasgow G2 5SE

