THE GLASGOW SCHOOL OF ART

ANNUAL REPORT & ACCOUNTS 2017-18

YEAR TO 31 JULY 2018

SC002271

THE GLASGOW SCHOOL OF ART
(Company Register No.SC002271)
Amended Annual Report and Financial Statements
Year Ended 31 July 2018

Contents:

These amended accounts replace the original accounts, are now the statutory accounts and are prepared as they were at the date of the original accounts.

OFFICE BEARERS AND GOVERNORS
A Company Limited by Guarantee (Company Register No.SC002271)

Patron	H.R.H. The Prince of Wales, Duke of Rothesay
Hon. President	Mr Stewart Grimshaw
Hon. Vice President	Professor Anthony Jones
Chair	Ms Muriel Gray BA (Hons) FRSE*
Vice Chair	Sir Muir Russell KCB FRSE (until 31 October 2018)
Vice Chair	Ms Lesley Thomson (from 4 June 2018)
Vice Chair	Professor Nora Kearney RGN, MSc (from 1 November 2018)
Director	Professor Irene McAra-McWilliam OBE (from 26 November 2018)
	Professor Tom Inns BEng (Hons) DIC MDes (RCA) PhD FRSA (until 2 November 2018)
Deputy Director (Academic)	Professor Ken Neil MA (Hons) MFA PhD PGCert FHEA FRSA
Director of Finance and Resources	Mr Alastair Milloy BAcc FCCA
Registrar and Secretary	Dr Craig Williamson LLB (Hons), PG Cert MSc, PhD

Chairs of Committees 2017/18 (and early 2018/19)

Audit	Mr Charles Beattie FCCA
Business	Ms Muriel Gray BA (Hons) FRSE (until 31 August 2018)
	Mr Habib Motani (from 1 September 2018)
Human Resources	Professor Nora Kearney RGN, MSc
Interim and Urgent Business Committee	Ms Muriel Gray BA (Hons) FRSE (from 25 June 2018)
Investment**	Sir Muir Russell KCB FRSE
Estates	Ms Eleanor McAllister OBE MA MSc FRSA (until 31 December 2017)
	Mr Douglas Brown BA (Hons) Dipl Arch (Oxford) FRIAS RIBA (from 1 January 2018 to 30 June 2018)
	Mr Michael McAuley (from 1 July 2018)
Museum & Archive	Professor Alison Yarrington BA (Hons) PhD FRSE FSA FRSA
Nominations	Ms Muriel Gray BA (Hons) FRSE
Occupational Health and Safety***	Mr Kenneth Ross OBE (interim from 15 October 2018)
Remuneration	Professor Nora Kearney RGN, MSc
Strategic Developments Committee	Ms Muriel Gray BA (Hons) FRSE (from 15 October 2018)

** Ms Muriel Gray required to take a leave of absence from her post of Chair of the Board of Governors between 1 August 2018 and 14 October 2018, but remained fully involved as a Lay Governor. During this period, Professor Nora Kearney acted as Interim Chair of the Board.*

*** In June 2018, it was agreed that the business of the Investment Committee would be incorporated into that of the Business Committee from session 2018/19.*

****It was agreed in October 2018 that the Occupational Health and Safety Committee would revert to being a committee of the Board of Governors and would therefore be chaired by a Lay Governor*

Registered Office	167 Renfrew Street, Glasgow G3 6RQ
Solicitors	Thorntons Law LLP Whitehall House, 33 Yeaman Shore, Dundee DD1 4BJ
External Auditor	Scott Moncrieff 25 Bothwell St, Glasgow, G2 6NL
Internal Auditor	BDO LLP (until 30 April 2018) 70 York Street, Glasgow, G2 8JX Henderson Loggie (from 1 May 2018) The Vision Building, 20 Greenmarket, Dundee, DD1 4QB
Principal Bankers	Bank of Scotland plc 235 Sauchiehall Street, Glasgow, G2 3EY
Registered Charity Number	SCO 12490

Copies of these accounts can be obtained by contacting the registered office

1. Status and Ambition

1.1 Overview

The year 2017-18 was undoubtedly a complex and challenging period for The Glasgow School of Art (GSA), however our students, alumni and staff proved themselves yet again to be successful, creative and collaborative practitioners and our connections to the contemporary arts continued to grow through research and place-based initiatives. GSA continued to be an institution of choice for both undergraduate and postgraduate applicants over the year with growth achieved through widening access, new articulation routes and new specialist programmes, including the development of and recruitment around a new MLitt in Art Writing and new Undergraduate programmes in Sound for the Moving Image and Immersive Systems Design.

GSA UG Degree Show extended our Glasgow-based graduands' profiles to London with award-winning showcases and talents from the School of Design demonstrated at New Designers, Free Range, Texselect and Graduate Fashion Week. In addition to this, the Graduate Degree Show made its mark on Glasgow with a successful public exhibition at two venues in the heart of the city.

Alumni continued to make headlines with SEA alumna Cathy Wilkes selected to represent the UK at the 58th Venice Biennale, one of the highest honours in the art world and Master of Fine Art alumna, Charlotte Prodger, selected to represent Scotland at the Biennale and also nominated for the 2018 Turner Prize (subsequently winning the Prize in December 2018). Looking to future successes, young people from the GSA's Widening Participation activity worked with alumnus, Mick Peter, to co-create The Regenerators, a major public artwork commissioned for the Director's Programme of Glasgow International Festival of Visual Art 2018 (see 5.1).

Other highlights included The United Nations Economic Commission for Europe (UNECE) designating the Glasgow Urban Lab, a partnership between GSA and Glasgow City Council, a UN Charter Centre of Excellence and the School appointed new Professors in Ross Birrell, Steve Love, Ross Sinclair and Sally Stewart.

1.2 Mackintosh Building Fire

Following the Mackintosh Building Fire in May 2014, the building was undergoing an extensive restoration, and was due for completion in early 2019. This would have brought back the Mackintosh Building to the heart of our campus both physically and academically as home to all first year students.

At approximately 11.20pm on Friday 15th June 2018, a second fire occurred while the building was still under the control of our principal contractor. The severity of this fire was much more extensive than 2014 and we, the city and indeed the world looked on in shock and disbelief. It will be hard to forget an evening of darkness and despair and the impact this second fire has had not only on the GSA's students, staff and friends but importantly our local community who were significantly displaced and affected.

We have stated our commitment to rebuild the Mackintosh Building. The decision made to rebuild following the 2014 remains our intent - the events of June 2018 have been a disruption to this decision, but we remain committed to faithfully rebuilding the Mackintosh and returning it to its central role in the creative life of our students, staff, city and nation.

1.3 Director

Professor Tom Inns stepped down as Director of the Glasgow School of Art on 2 November 2018 after five years in post. During this time, GSA has been ranked in the world's top 20 for Art & Design education in the influential QS World Rankings, new creative disciplines were developed and a new Highlands' Campus established in Forres.

Professor Irene McAra-McWilliam OBE was appointed as Director on 26 November 2018.

1.4 Status

The Glasgow School of Art holds a unique and enviable position within UK higher education. We are Scotland's specialist university-level institution for the visual creative disciplines and through the success of our graduates, the quality of our teaching and research and our heritage inextricably rooted in the work of Charles Rennie Mackintosh, we enjoy both global significance and influence as a leading European centre for studio-based learning and research. Alongside our global position is our place within Glasgow and Scotland and the role we have played in the economic and cultural renaissance of the City.

1.5 Ambition

Our ambition is leadership in creative education and research. We have the following values:

- Disruption - encouraging critical thinking and experimentation;
- Diversity - in our students and staff, thought and outlook;
- Responsibility - to our planet, each other and those we work with;
- Place - our heritage, traditions and our locations; and
- Collaboration – with our students, colleagues and external parties

2. Performance in Year

2.1 Financial Performance

The Group Statement of Comprehensive Income on page 21 shows a group deficit of £26,194k (£1,409k surplus 2016/17) and a total comprehensive deficit of £19,302k (surplus £3,973k 2016/17). These results include items of an exceptional and non-recurring nature. Removing the effect of the non-recurring items gives an adjusted Total Comprehensive Income of £202k, as outlined in 2.2 below.

The deficit in respect of campus redevelopment expenditure is due to the impairment charge of £18,062k in respect of the Mackintosh building and Reid Building due to damages from the second fire. £9,248k of Campus redevelopment expenditure in respect of the refurbishment of the Mackintosh during the year up until the fire and £2,678k in respect of business interruption costs. The total charge to the SOCI in respect of these items was £29,988k.

The total net assets of the Group decreased by £19.5m to £43.9m and the cumulative Income and Expenditure Account decreased from £30.1m as at 31 July 2017 to £9.1m as at 31 July 2018. Cash and deposit balances have decreased from £34.5m to £23.4m during the year mainly due to the expenditure on the Mackintosh and Stow projects. Some of these monies have been placed on 1-12 month deposit. The group shows net current assets of £16.5m (£29.4m 2016/17).

The return on Endowment Asset Investments comprising dividend and bank interest was 2.03%, compared with 2.12% last year. The market value of the total Endowment assets held by the School increased from £4,288k to £4,579k an increase of £291k. The Investment Committee is now part of the Business Committee, and this Committee overseas execution of appropriate investment strategies and monitors performance.

The Group Statement of Cash Flow shows a net outflow of £11,124k in the financial year (2016/17 outflow £7,586k) due to the monies spent on the Mackintosh and Stow projects.

2.2 Adjusted Total Comprehensive Income after removing the effect of non-recurring items

The Group's results include items of an exceptional and non-recurring nature in terms of the Group's day to day trading activities. The reconciliation below outlines the impact on the Group's actual Total Comprehensive Income:

	2018 £000s
Adjusted Total Comprehensive Income	**202**
Deduct:	
Impairment charge – Mackintosh and Reid	(18,062)
Impairment charge – heritage assets	(200)
Campus redevelopment expenditure - refurbishment	(9,248)
Campus redevelopment expenditure – business interruption	(2,678)
FRS 102 pension cost adjustment – to staff costs	(1,090)
FRS 102 pension cost adjustment – to finance costs	(330)
Add back:	
Insurance income	3,233
Development Trust income	1,779
Actuarial gain in respect of pension schemes	7,092
Actual Total Comprehensive Income per accounts	**(19,302)**

Removing the recurring non-cash items from the £202k adjusted Total Comprehensive Income (by adding back Depreciation of £3,021k and deducting the Deferred Capital Grant Release of £1,297k) would result in an adjusted "cash surplus" for 2017/18 of £1,926k.

2.3 Financial Objectives

The financial sustainability of GSA is as important as its academic sustainability and the School seeks to move towards an annual Core Operating Surplus of 5% of income, a financial objective that will be achieved through growth across GSA's entire portfolio including student numbers, diversification of research income, efficiencies through harmonisation of the academic programme and academic school structures, more efficient use of GSA's estate, improved environmental sustainability, procurement, and the highest levels of Governance.

2.4 Treasury Management, Cashflow and Liquidity

The financing and liquidity and the School's exposure to financial risk is overseen by the Board though the Audit Committee and the Business Committee. Each year, forecasts are prepared which consider the cash position of the School given the assumed operational movements and planned investment in fixed assets and working capital. This enables the Business Committee to consider any future borrowing requirements in a timely manner. The School's non-endowment cash balances are primarily held in the form of interest bearing deposits with financial institutions. These balances can be invested in major clearing banks. The investment at 31 July 2018 was £19m in a 32-day notice account at 0.75% per annum. Interest rates have remained low for some years now, but the situation is monitored regularly.

2.5 Going Concern

The Board considers that the School has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

2.6 Public Benefit

The School has charitable purposes that are only for the public benefit, as defined by Charities Legislation. These purposes must be carried out for the public benefit, which is an integral part of the purpose of the School. It is the opinion of the Board that the School has met its charitable objectives.

2.7 Strategic Plan

The GSA concluded the final year of its Strategy 2015-2018 delivering on its key performance measure of increasing the student community by 25% and delivering growth in our academic portfolio, widening participation and diversity of our student body, developing our international standing through articulation and improving our estate. The Plan was delivered against a backdrop of the restoration of the Mackintosh Building and the purchase and redevelopment of the Stow College site.

2.8 Key Performance Indicators

The Board is presented annually with Key Performance Indicators compared to targets covering a series of areas, the principal indicators being detailed below.

KPI measures	Actual 2015/16	Actual 2016/17	Actual 2017/18	Target 2017/18
% School Income non SFC	59%	65%	63%	60%
Total Research & KTP income	£4.1m	£3.9m	£2.8m	£3.3m
Value of (non EU) overseas student income	£5.5m	£6.4m	£7.4m	£7.6m
% PG students**	26%	24%	24%	>21%
% Positive student feedback NSS	74%	71%	67%	80%
% Graduates in education/working after 6 months	93%	93%	92%	94%
Number of Students from MD20*** classification	30	38	27	32

** Includes Diploma students   *** Areas of Multiple Deprivation

The KPIs shown above were contained in the School's Strategic Plan 2015-2018.

2.9 Capital Projects

Capital Expenditure in the year was £12.1m, higher than the previous year's figure of £8.6m. Included in that figure is £11.5m in respect of work on the Mackintosh and Stow Building projects, which is included in assets under construction. £3,898k was capitalised during the year in respect of the Mackintosh Project prior to the fire and included under assets in the course of construction, this was then subsequently part of the impairment charge.

2.10 Curriculum Developments

The School of Fine Art welcomed the first cohort of students onto the new MLitt in Art Writing in September 2018, and the School of Simulation and Visualisation welcomed the inaugural year 1 cohorts to the new Undergraduate Degrees in Sound for the Moving Image and Immersive Systems Design.

New PGT programmes were taken through the first stages of validation for MLitt Design Intersections and for MDes Silversmithing and Jewellery and, in the School of Fine Art, MLitt Art, Society and Culture. Final stage approval meetings will take place in February 2019.

2.11 Equality Statement

Working with difference and promoting equality underpins our ambition and purpose. Our studio based learning, research and collaboration transforms thinking and our individual and collective contributions influence the day to day lives of people across local and global communities. As a community we are committed to creating and sustaining learning and working environments where difference is respected and the widest possible range of cultural and social perspectives are valued. We treat each other fairly, according to need, and minimise barriers to participation for all. By fostering environments in which difference nourishes new questions and possibilities and where respect is a catalyst for the removal of barriers, we support the learning and development of individuals and our collective contribution to the common good.

3. Principal Risks and Uncertainties

3.1 Key Risks

The GSA reviewed its Risk Management Framework following an internal audit. A new Framework covering risk, strategic objectives and key performance measures was approved. The revised approach to managing risk saw the establishment of the Risk Management Group comprising the senior management team along with the internal auditor. The RMG meets on a quarterly basis reviewing the key risks impacting the School. The revised Risk Register is then considered by the Executive Group, Audit Committee and the Board of Governors identifying changes in risk profile, the impact of our mitigation activities and shifts in the ranking of risks.

While the School aims to minimise its exposure to risk, we recognise that to achieve its objectives, a degree of risk should be accepted and managed appropriately. The key risks impacting the School are:

- Staff and student wellbeing – particularly after the Mackintosh Building fire on 15th June;
- BREXIT, both the financial and cultural impact on GSA and its diverse student profile and our ability to recruit and retain international staff;
- The highly competitive operating environment and changing regulatory environment in England including the impact of performance in external benchmarking and metrics, especially the National Student Survey;
- The challenging financial environment and the need to ensure continued financial stability through growth in student fees, research and other income;
- Maintaining our reputation in a period of complexity;
- Delivering an estate which is fit for purpose, recognizing the importance of the Mackintosh Building and supports the student experience;
- Ensuring that our infrastructure (our Estate and IT) are appropriate for our changing academic requirements, growth plans and for delivering operational efficiency; and
- Maintaining our international standing and achieving our internationalisation ambition, which extends our global reach and the international experience of our staff and students.

3.2 Financial Risk Management

Foreign Currency Risk
The School does not enter into any significant foreign currency transactions. The Governors therefore consider the School is not exposed to any material foreign currency movement risk. Funds for the GS of A Singapore operation are maintained via bank accounts in Singapore. The only exposure would be dividend payments from Singapore to GSA and the intergroup balance. Exchange rate movements are monitored and the date of transfer of the dividend payment is selected on this basis.

Credit Risk
The School is exposed to credit related losses in the event of non-performance by transaction counterparties but mitigates such risk by reviewing supplier's financial accounts and credit scores as part of our tender processes.

Liquidity Risk
Operations are financed by SFC grants, student fees, research and consultancy contracts and bank balances. In addition, the School has an overdraft facility which it has not utilised. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the School.

Cash Flow Risk
Following receipt of the insurance settlement monies from the first fire and funding received from the GSA Development Trust, the School currently has £19m on 32-day notice at a rate of 0.75% with the Bank of Scotland. Interest rates remain low currently. There is some indication of a rate increase in the medium term, although there is no certainty.

3.3 Health and Safety
The Director, on behalf of the Board of Governors, is responsible for the health and safety of all staff, students and visitors to the School and for adherence to the School's Health and Safety Policy. The School employs a Health and Safety Officer, a Health and Safety Advisor and a Fire Regulatory Compliance Officer to provide advice and assistance. Under the School's Health and Safety Policy, managers, staff and students all have individual responsibilities for health and safety.

4. Future Developments

4.1 Funding
The outlook for public sector funding for 2018/19 and onwards is very challenging, and there is the risk that the Scottish Funding Council will seek to further reduce the teaching funding provided to HE institutions from 1 August 2019. Scenario planning is currently being undertaken to investigate various options for mitigating any reduction in core teaching and research funding.

4.3 Student Recruitment
GSA continues to be an institution of choice for undergraduate and postgraduate applicants. At undergraduate level, the number of funded places from the Scottish Funding Council has grown slightly, reflecting the GSA's performance in recruiting students from SIMD20 postcodes and through articulation with colleges across Scotland. However, the School continues to receive many more undergraduate applications that we have funded places. Students from the Rest of the UK and internationally represent a significant proportion of our student community and following a period of planned growth, we anticipate this to stabilise at current levels with only slight increases in particular subject areas. This shift is reflected in our recruitment strategies which are reviewing annually and adapted to try to accommodate shifts in the macro economic events, particularly the impact of Brexit on the future of EU student recruitment and the value of Sterling.

Student Fee income increased to £15.1m in 2017-18 from £13.1m in 2016-17. For entry 2018-18, the recruitment period covered in this annual account, the School has increased both its total undergraduate and postgraduate applications. We continue to grow applications from China where we have a physical presence, but have a balanced approach to recruitment ensuring we are active in a number of key markets and not dependent on, and therefore at risk, for one particular country for our fee income.

Our seventh cycle of recruitment to our undergraduate programme in Singapore was successfully complete. The programme, in partnership with the Singapore Institute of Technology and Temasek Polytechnic, continues to be a popular choice for students, attracting a high calibre of applicant. The fifth degree show and graduation was held in Singapore in June 2018.

4.4 Research Excellence Framework (REF)
Income from research grants, knowledge exchange projects and consultancy declined by 28% from 2016/17, from £3.9m to £2.8m. The most significant reduction was to income relating to the Digital Health and Care Innovation Centre (DHI), for which GSA received £580,000 less than in the previous year (-48%). During the period, the DHI project (led by University of Strathclyde) completed Phase 1 of its operational plan and moved into a transitional period, during which the GSA team was reduced, and the funding model changed from 80% FEC to 70% FEC. This should be adjusted back to 80% FEC in the next phase. A number of other significant projects that have provided substantial income in recent years were also less lucrative in 17/18, as projects and grants moved towards completion or continued activity under renegotiated terms. These included work supported by Highlands and Islands Enterprise (-19%), NHS Education Scotland (-83%) and the Centre for Digital Documentation and Visualisation with Historic Environment Scotland (-24%). Reduced income from these projects was anticipated, and is reflected in the lower research income targets in the current year. More positively, income from UK Research and Innovation (Research Councils and Innovate UK) increased by 23%, to £538,390, and the number of projects funded from these sources more than doubled. It is a strategic research priority to succeed in winning more UKRI grants, which can be considered an indicator of research quality. For Art & Design, research performance in respect of citations and impact does not impact QS rankings.

4.5 Small Specialist Institution Status
The School has been designated by SFC as a Small Specialist Institution (SSI) which has led to additional funding to compensate for the associated additional costs

4.6 Sustainability
The staff and student-run Sustainability in Action Group is working across the School to drive forward environmental issues within the curriculum and across the School's operations. The GSA community is being encouraged to reduce energy, water and resource use, and supports Scotland's future artists, designers and architects to help them react to, work with and communicate climate change in a positive and creative way. This year has seen the establishment of an active student-led group, the Responsive Art and Design Society, which is being supported to engage students on sustainability issues within the curriculum and their own practice.
Under a wider umbrella of "GSA Sustainability", the Sustainability Coordinator supports a wide range of curriculum interventions and well as student environmental, social and ethical-focused societies, often with links back to the curriculum. These include surplus food society Throwawaygourmet, GSA Beekeepers, ResLife in the halls of residence, FROGGs, the Garnethill community green space group, and initiatives such as phasing out chemical cleaning use and chlorinated paper, supporting organic textile use, the use of ethical silver and gold, low toxicity processes, better use and re-use of materials within practice, and supporting staff and student wellbeing projects. More information can be found at www.gsasustainability.org.uk.

5. Staff and Students

5.1 Student, graduate and staff successes

3D Technician and alumna Leila Smith was included in the BBC's list of 100 inspirational and innovative women for 2017.
Mackintosh School of Architecture students Justine Jakubkaite and Raheela KhanFitzgerald won first prize at October's APS Student Designer Awards for their scheme, Hutting in Scotland.
Innovation School graduate Callum Nash is the first winner of the Foulis Medal, a new award presented to the top student graduating from a taught postgraduate programme.
MFA alumna Alberta Whittle wins the 2018 Margaret Tait Award, recognising outstanding work in artists' moving image.
Students and alumni from the Silversmithing & Jewellery department picked up a multitude of prizes at the 2018 Craftsmanship and Design Awards.
Environmental Art alumna Cathy Wilkes is to represent the UK at the 58th Venice Biennale, one of the highest honours in the art world.
Master of Fine Art alumna Charlotte Prodger is nominated for the 2018 Turner Prize (subsequently winning the Prize in December 2018) and has also been selected to represent Scotland at the Venice Biennale in 2019.
Students from the GSA's Communication Design department designed a new logo for Shelter, marking the housing and homelessness charity's 50th anniversary year
Alumnus Mick Peter collaborated with young people from the GSA's Widening Participation department for The Regenerators, a major public artwork commissioned for the Director's Programme of Glasgow International Festival of Visual Art 2018
The United Nations Economic Commission for Europe (UNECE) has designated the Glasgow Urban Lab, a partnership between The Glasgow School of Art and Glasgow City Council, a UN Charter Centre of Excellence.
Textile Design graduate Erin McQuarrie was the 2018 recipient of the Newbery Medal, the GSA's highest honour awarded annually to the top undergraduate student at graduation.
This year's Interior Design graduates scooped two of the four in-show awards and first place in one of the two national awards at the Free Range showcase in London.
At Graduate Fashion Week, Fashion Design graduate Morag Seaton was runner up in the Dame Vivienne Westwood Sustainable and Ethical Award, and Flint Macdonald and Jacob Pulley were selected for the prestigious Gala Presentation.
Silversmithing & Jewellery and Textile Design alumni won numerous awards at New Designers, including S&J graduate Rachel Hardie, who won the Goldsmiths' Company Silversmithing Award.

5.2 Staff

During the year 2017-18, there have been several key appointments. Tom McDonnell was appointed as Data Protection Officer within the Corporate Governance department and Jonathan Baldwin was appointed as Programme Leader in the Innovation School. Dan Dubowitz was appointed as Acting Postgraduate Programme Leader in the Mackintosh School of Architecture and Fraser Bell was appointed as the Director of Estates.
There were also several staff members who received internal promotions including Lesley Coyle who was appointed as Head of HR. In addition, several members of The Glasgow School of Art received Academic Promotions. Ross Birrell was promoted to Professor in Contemporary Art Practice & Critical Theory, Steve Love to Professor in User Experience Design, Ross Sinclair to Professor in Contemporary Fine Art Practice and Sally Stewart promoted to Professor in Architectural Education and Practice. Furthermore Andrew Lamb, Helen McCormack, Frances Robertson and Madeleine Sclater have all been promoted to Readers.

5.3 Board of Governors

In session 2017/18, GSA recruited and appointed five new Lay Governors: Mr Michael McAuley and Mr James Sanderson who commenced their period of office on 1 March 2018, and Dr Kate Lampitt-Adey, Mr Habib Motani and Mr Harry Rich who commenced their period of office on 1 June 2018. Three Lay Governors left the Board during 2017/18 – Ms Eleanor McAllister (December 2017), Mr Douglas Brown (June 2018) and Sir Muir Russell (October 2018) – all having served the maximum period of office of nine years. Ms Laura Glennie, President of the Students' Association, undertook a second and final term of office in session 2017/18, and has been succeeded in 2018/19 by Mx Harriet Gould. From January 2018 the School has invited two trade union representatives to attend Board meetings until GSA's legal instruments allow for their formal full membership.

Muriel Gray
Chair

10 December 2018

Directors' Report
(Incorporating the Responsibilities of the Board of Governors)

Governors Ex Officiis

B, E, IUBC, N	Prof. Tom Inns BEng (Hons) DIC MDes (RCA) PhD FRSA Prof Irene McAra-McWilliam OBE	Director of the School (until 2 November 2018) Director of the School (from 26 November 2018)
M	Prof. Ken Neil MA (Hons) MFA PhD PGCert FHEA FRSA	Deputy Director (Academic) of the School
B, E, H, IUBC, M, N, OHS	Ms Laura Glennie	President of the Students' Association (until 31 July 2018)
B, E, H, IUBC, M, N, OHS	Mx Harriet Gould	President of the Students' Association (from 1 August 2018)

Appointed by the Board of Governors

A, N	Mr Charles Beattie FCCA*
B, E, I, N	Mr Douglas Brown BA (Hons) Dipl Arch (Oxford) FRIAS RIBA* (until 30 June 2018)
B, E, IUBC, N, R, SDC	Ms Muriel Gray BA (Hons) FRSE*
H, IUBC, N, R, SDC	Professor Nora Kearney RGN, MSc*
	Dr Kate Lampitt Adey*
E, SDC	Mr Michael McAuley*
B, E, N	Ms Eleanor McAllister OBE MA MSc FRSA* (until 31 December 2017)
A, H	Dr Susie Mitchell PhD*
B, SDC	Mr Habib Motani*
B, E	Ms Christa Reekie Mag.phil Dip Ed LLB Dip NP *
B	Mr Harry Rich LLB (Hons), FRSA, CCMI*
B, IUBC, OHS	Mr Kenneth Ross OBE*
A, B, I, IUBC, N,R	Sir Muir Russell KCB FRSE* (until 31 October 2018)
E	Mr James Sanderson BA Hons Dip Arch RIBA RIAS *
A, B, R	Mr Andrew Sutherland BAcc CA MCICM*
IUBC, SDC	Ms Lesley Thomson*
M, N	Professor Alison Yarrington BA (Hons) PhD FRSE FSA FRSA *

Elected Members

H, N	Prof. Johnny Rodger BA, PhD, FHEA, PG Cert (L&T), PG Cert (Sup)	(Appointed by the Academic Council)
	Dr Sarah Smith BA MA PhD	Elected by the Academic Staff
IUBC, M	Ms Polly Christie BA (Hons) MA	Elected by the Professional Support Staff

Secretary to the Board of Governors

H,	Dr Craig Williamson LLB (Hons), MSc, PhD (Registrar and Secretary)

A – Member of Audit Committee
B – Member of Business Committee
E – Member of Estates Committee
H – Member of Human Resources Committee
IUBC – Member of Interim and Urgent Business Committee
I – Member of Investment Committee
M– Member of Museum & Archive Committee
N – Member of Nominations Committee
OHS – Member of Occupational Health & Safety Committee**
R – Member of Remuneration Committee
SDC – Member of Strategic Developments Committee

Biographies of the Governors can be found here www.gsa.ac.uk/boardbiogs
* denotes Independent Board Members
**The Occupational Health and Safety Committee will be a committee of the Board from October 2018 onwards.

GSA's Board of Governors Statement of Primary Responsibilities

The Board of Governors has the following primary responsibilities, which are set out in the 2018/19 Statement of Corporate Governance:

1. To ensure the effective management of the School and to play a key role in the development, approval and review of the mission and strategic vision of the School;
2. To be the principal financial and business authority of the School;
3. To safeguard the reputation and values of the School;
4. To ensure the quality of institutional educational provision uphold and to ensure the defense of academic freedom;
5. To make such provision as appropriate for the general welfare of students, in consultation with the Academic Council;
6. To ensure that systems and policies are in place for meeting all of the School's legal and regulatory obligations;
7. To oversee and monitor the development and implementation of the School's Strategic Plan;
8. To appoint a Chair of the Board of Governors, up to two Vice Chairs, and lay Governors;
9. To appoint the Director of the School and the Secretary to the Board;
10. To advise on the appointment of the Deputy Directors of the School, and the Director of Finance and Resources;
11. To ensure the establishment and monitoring of systems of control and accountability, including financial and operating controls and risk management framework;
12. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the School;
    To establish processes to monitor and evaluate the performance and effectiveness of the Board of Governors;
13. To conduct its business in accordance with best practice in higher education corporate governance and with accepted standards of ethics and behaviour in public life;
14. To determine and review the remuneration of those senior staff members whose salaries are not included within national pay scales;
15. To form, and receive regular reports from, committees to consider major areas of activity;
16. To support and enable the effective functioning of the Students' Association;
17. To satisfy itself that the School operates with high levels of social responsibility; and
18. To take all final decisions on matters of major concern to the School.

Additional detail pertaining to the primary responsibilities is provided within the School's Statement of Corporate Governance and Internal Control.

Schedule of Delegation

The Board of Governors has approved a Schedule of Delegation which records the delegated authority for decisions taken in the name of or on behalf of the Board of Governors. The Schedule is reviewed and formally approved by the Board of Governors on an annual basis. The general principles of the Schedule of Delegation are set out below:

- All delegated powers must be exercised in accordance with relevant current procedures and policies of the School and applicable statutory requirements;
- Having delegated authority to other bodies or individuals to act on its behalf, the Board of Governors is nevertheless still ultimately accountable and assumes collective responsibility for the actions taken under delegated authority;
- The Board of Governors has the power at any time, subject to any statutory restrictions to the contrary, to vary, extend, restrict or recall any power or function delegated by it;
- In potentially contentious matters, or for decisions of strategic importance to the School, or where the Board of Governors would be reasonably expected to have a significant interest, it may be appropriate to seek the approval of the Board of Governors, even where authority has been delegated;
- The use of delegated authority should be reported to the Board of Governors as appropriate; and
- A list of reserved matters which may not be delegated by the Board of Governors is detailed in the School's Statement of Corporate Governance.

The Board of Governors has ultimate responsibility for the effective operation of the School, and, following common practice, delegates much of the detailed work to Board committees. The extent of that delegation is detailed within the Board Committee Remits and Memberships, which is reviewed and approved by the Board of Governors on an annual basis and published on the School's website. A brief overview of the remit of each committee is set out in Statement of Corporate Governance and Internal Control section below.

The Academic Council is the principal academic body of the School and is responsible for all academic matters including academic standards and quality. The remit of the Academic Council is specified in the School's Order of Council and represents delegated functions from the Board of Governors, namely:

- the function of advising the Director in relation to the overall planning, co-ordination, development and supervision of the academic work of the institution; and
- such other functions of the Governors as may be assigned to the Academic Council by the Board of Governors.

The Director is responsible for all matters relating to the effective working and good order of the School and in terms of the governing instruments the Director discharges the functions of the Governors relating to:

- the organisation and management of the institution and the discipline therein; and
- with the advice of the Academic Council, the overall planning, co-ordination, development and supervision of the academic work of the institution.

In discharging these functions, the Director is subject to the general control, supervision and direction of the Governors but otherwise has have all the powers and duties of the Governors in relation to those functions. The Board of Governors delegates full authority to the Director to act on its behalf in order to exercise these responsibilities, subject to the following principles:

- The Director will act within the terms of his/her appointment;
- The Director will act at all times in accordance with the best interests of the School, its staff and students, and will be mindful of the importance of preserving and enhancing the School's reputation;
- The Director's actions will be consistent with the School's budget and its strategic plan as approved by the Board of Governors;
- The Director is responsible for ensuring decisions of the Board of Governors are properly implemented;
- The Director's actions will be consistent with relevant legislation and externally prescribed conditions such as those set out in the Scottish Funding Council's Financial Memorandum, and is the School's accountable officer to the Scottish Funding Council in respect of the use of SFC funds;
- The Director's actions will be consistent with accepted standards of behaviour in public life and with the Nine Principles of Public Life in Scotland;
- The Director will report to each meeting of the Board of Governors all significant actions taken on its behalf, and will be accountable to the Board of Governors for such actions;
- The Director will consult with the Chair of the Board of Governors, whom failing, the Vice-Chair(s) of the Board or an appropriate lay member of the Board, in respect of any potentially contentious, novel or controversial matters prior to exercising his/her delegated authority; and
- In his/her absence, the Director may delegate authority to the Deputy Directors of the School or other appropriate senior executive officers of the School.

Composition of the Board

As of 1 November 2018, the School's Board of Governors consists of a total membership of twenty members. In 2013 the School became the first Scottish higher education institution to appoint a female Chair of the Board. As of 1 November 2018, the School has an equal membership of male and female lay Governors on the Board. GSA considers that it amongst the leading Scottish higher education institutions in terms of Board membership diversity and continues to make progress on this front.

The majority of the Governors are independent (lay) members, i.e. members who are not employed by the School. The School's Order of Council sets out that one of these lay Governors should have experience in local government and one should have experience in the provision of education. The remaining lay Governors have experience in industrial, commercial or employment matters or the practice of any profession (and particularly those relating to disciplines taught within the School). The balance of skills and experience among lay Governors is monitored closely to ensure that this is sufficient to enable the Board to meet its primary responsibilities and to ensure stakeholder confidence. A register showing the balance of skills, attributes and experience required across the Board's membership, including attributes and goals (having due regard to applicable law) relating to equality and diversity, has been prepared and is utilised in the recruitment of new lay Governors.

When a lay Governor demits office or the School seeks to appoint a new Governor, the Nominations Committee or a sub group thereof reviews the balance of skills in the membership of the Board against the register of the balance of skills, attributes and experience. This informs the appointment process and supports the School in maintaining a coherent and effectively functioning governing body. The Nominations Committee or a sub group thereof also recognises the Board's responsibility to demonstrate leadership in promoting and facilitating equality and diversity, and will ensure that where changes occur in the Board's composition, due and proper account is taken of aiming for a balance across all protected characteristics recognised under the Equality Act 2010.

Employment of Disabled Persons

People with disabilities are offered equal opportunities to enter employment and progress within the School. The School follows procedures designed to provide for fair consideration and selection of disabled applicants and to support their training and career development needs.

Employee and Student Involvement

Academic employees of the School elect one Governor to the Board of Governors and through the Academic Council appoint a second Governor. Professional support staff elect one Governor to the Board. The Students' Association plays a full role in the life of the School and the President is a full member of the Board of Governors.

As noted in 5.3, from January 2018 the School has invited two trade union representatives to attend Board meetings until GSA's legal instruments allow for their formal full membership.

Governors, academic and support staff and students are represented on the Human Resources Committee, together with trade union representatives.

Creditor Payment Policy

It is the School's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the School and its suppliers, provided that all trading terms and conditions have been complied with. The School endorses the CBI Prompt Payment Code. At 31 July 2018 the School had an average of 26 days (2017: 21) purchases outstanding in trade creditors. With regard to the late payment of Commercial Debts (Interest) Act 1998 there are no matters to disclose.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are directors at the time the report is approved:

- So far as the directors are aware, there is no relevant material audit information of which the School's auditor is unaware; and
- He/she has taken all the steps that ought reasonably to have been taken as a member of the Board, in order to make himself/ herself aware of any relevant information, and to establish that the School's auditor is aware of the information.

Responsibilities of the Board of Governors for Accounting and the Financial Statements

In accordance with the School's formal governance arrangements, the Board of Governors is responsible for the administration and management of the affairs of the School and is required to present audited accounts for each financial year.

The Board considers that the School has adequate resources to continue its operations for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the School and to enable it to ensure that the accounts are prepared in accordance with the School's Memorandum and Articles of Association, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice). In addition, within the terms and conditions of the Financial Memorandum agreed between the Scottish Funding Council and the Board of Governors, the Board, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the School and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Board has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- accounts are prepared on the going concern basis unless it is inappropriate to presume that the School will continue in operation.

The Board has taken all 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 Scottish 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 School and prevent and detect fraud; and
- secure the economical, efficient and effective management of the School's resources and expenditure.

By order of the Board

Ms Muriel Gray
Chair of the Board of Governors

Professor Irene McAra-McWilliam OBE
Director

10 December 2018

Statement of Corporate Governance and Internal Control

The Glasgow School of Art's governance arrangements are defined through an Order of Council (Scottish Statutory Instrument) derived from the Further and Higher Education (Scotland) Act 1992. The School is also a Company Limited by Guarantee. The School is committed to employing best practice in all aspects of corporate governance. The School's Statement of Corporate Governance (revised and approved by the Board of Governors annually) is compliant with the 2013 Scottish Code. The School complies with the high-level principles contained within the revised Scottish Code of Good HE Governance published in 2017 and also with the majority of the detailed provisions contained therein and, it is expected that the updates required to the School's governance processes as a result of the Code, will be completed by December 2018. The School is currently undertaking a comprehensive review of its governance arrangements in order to secure compliance with the newly enacted Higher Education Governance (Scotland) Act 2016. As acknowledged by the Scottish Funding Council, the School has a grace period until 2020 to fully comply with the Act and therefore may not achieve full compliance with the Code in certain areas until this time. These areas relate principally to the changes required to the composition of the Board of Governors and the Academic Council and the rules relating to the election of the Chair in terms of the Act. Once the School's governing instruments have been amended to reflect the requirements of the Act, the School will be in full compliance with the terms of the Code. The School also complies with appropriate accounting standards and the Scottish Funding Council's Financial Memorandum.

Governing Body, Risk Management and Internal Controls

The School's Board of Governors is responsible for the School's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The process for reviewing the effectiveness of the system of internal control is through management reports and reports from the internal auditor to the various committees and, in particular, the Audit Committee. The Board and Audit Committee reviews the School's Risk Register. Internal Audit Reviews provide a mechanism for GSA's approach to risk and business continuity, and these reports are provided to the Audit Committee in line with the annual Internal Audit Plan.

The Board of Governors comprises lay and academic persons appointed in accordance with the School's statutory regulations. The majority of Governors are non-executive and independent, serving alongside ex-officio and elected staff and student Governors. Lay Governors are not remunerated. Governors are appointed for a term of office not exceeding three years, at the conclusion of which they may be reappointed for up to two further terms of three years. The Assistant Secretary to the Board maintains a Register of Interests of members of the Board. All Governors are able to take independent professional advice in furtherance of their duties at the School's expense.

The roles of Chair and Vice-Chair(s) of the Board are separated from the role of the School's chief executive, the Director. The matters specially reserved to the Board for decision are set out in the statutory regulations of the School, by custom and under the Financial Memorandum with the Scottish Funding Council. The Board holds to itself the responsibilities for the ongoing strategic direction of the School, approval of major developments, and receipt of regular reports from Executive Officers on the day-to-day operations of its business. The Board meets at least five times a year (including an all-day strategic meeting) and has the following committees: Business, Audit, Estates, Interim and Urgent Business, Investment, Human Resources, Museum and Archive, Remuneration, Strategic Developments and Nominations. All of these committees are formally constituted with terms of reference and all are chaired by lay members of the Board.

The Business Committee, inter alia, recommends to the Board the School's annual revenue and capital budgets and monitors performance in relation to the approved budgets, together with the Audit Committee. The Business Committee is also responsible for the preparation of policy for the adequate provision of space to meet the requirements of the strategic plan and the monitoring of the effective management of the School's estate. The Business Committee normally meets four times per annum. From session 2018/19 onwards, the remit of the Business Committee will also incorporate that of the former Investment Committee.

The Audit Committee is responsible for meeting with the External Auditor and Internal Auditor of the School and reviewing their findings. The Committee considers detailed reports together with recommendations for the improvement of the School's systems of internal control and management's response and implementation plans. It would also receive relevant reports from the Scottish Funding Council if they affected the School's business and would monitor adherence to regulatory requirements. It also recommends to the Board the Annual Accounts for approval. The Audit Committee usually meets four times per annum with both the External and Internal Auditor in attendance.

The School's Internal Audit service is outsourced to a professional firm of auditors, which operates in accordance with the requirements of the Scottish Funding Council's Financial Memorandum. The work of the internal audit service is informed by an analysis of the risks to which the School is exposed, and annual audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the Audit Committee. The Internal Auditor provides the governing body with an annual report on internal audit activity in the School. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the School's system of risk management, controls and governance processes.

In session 2017/18, the Investment Committee was responsible for recommending investment strategy to the Board and for monitoring investment performance, including oversight of the School's ethical investment policy. The Committee met twice per annum. During session 2017/18, it was agreed that the business of the Investment Committee would be incorporated into that of the Business Committee from session 2018/19.

The Human Resources Committee is responsible for the review of policy relating to the employment of staff and the monitoring of the effective management of these affairs and recommending policy to the Board. From session 2018/19 onwards, the Committee's remit has been expanded to now include matters relating to equality. The School is responsible for ensuring that appropriate training is provided as required. The Committee usually meets four times per annum.

The Estates Committee oversees major estates projects and estates strategy, and in 2017/18 included the oversight of the process of restoring the Mackintosh Building following the fire of May 2014 and the purchase and refurbishment of the former Stow College Building. The Committee usually meets four times per annum.

The Museum and Archive Committee considers and makes recommendations on all matters relating to the School's Museum and Archive Collections. The Committee usually meets four times per annum.

The Remuneration Committee determines the remuneration of the most senior staff, including the Director. Details of remuneration for the year under review are specified in this report. The Committee also oversees severance payments made by the School. The Committee meets as and when required.

The Nominations Committee oversees and recommends to the Board the appointment and renewal of independent lay governors, and the appointment of Board office-holders. The Committee meets as and when required.

The Occupational Health and Safety Committee reviews and monitors various aspects of health and safety management. The Committee was defined as a Board committee between December 2014 and May 2017, when it became an internal committee of the School. In October 2018, it was agreed that the Committee would revert to being a Board Committee.

In light of the events of 15 June 2018, on 23 June the GSA Board formed an additional committee of the Board, the Interim and Urgent Business Committee, to ensure focused and frequent governance oversight of GSA's recovery. This committee met twelve times between June and October 2018. At the end of October 2018 the Interim and Urgent Business Committee was placed into abeyance, with GSA moving out of the immediate months after the fire. As of October 2018, the Board formed an additional committee, the Strategic Developments Committee. This Committee will meet at least monthly and will allow governance oversight of the next stage of GSA's post-fire recovery.

In conclusion, the Board is satisfied with the corporate governance and internal control arrangements in place.

Quality Assurance

The Quality Assurance Agency Scotland have confirmed that GSA's next Enhancement-led Institutional Review will be held in Spring 2019. Preparations for this significant undertaking are already underway, being lead by the Head of Learning and Teaching in conjunction with the Academic Registrar and are overseen by the Deputy Director (Academic).

GSA's student retention remains one of the UK's highest at 96%. GSA's graduate destinations, as demonstrated in the DHLE, remain broadly consistent with the trend over recent years. GSA achieved a response rate of 80.6% in the DHLE 2016/17 return, above the Scottish average of 78% and slightly below the UK average of 81%. GSA's employment indicator (EI) for 2016/17 was 91.5%. This was 1.4 percentage points lower than last year's EI for GSA, 3.1 percentage points below the UK average and 3.8 percentage points lower than the Scottish average. When broken down by category of leaver destination, however, the proportion of GSA leavers in employment improved by 2 percentage points compared to last year, and those entering further study increased by 1 percentage point. These marginal improvements were offset by an increase in those reporting they were 'unemployed' and a corresponding decrease in those identifying as 'other'. The 2016/17 survey was the final DLHE exercise; it will now be replaced by Graduate Outcomes, a longitudinal study that first tracks graduates from 18 months after leaving, rather than 6 months, as in DLHE.

GSA achieved a 76% response rate in the National Student Survey (NSS) in 2018. Overall satisfaction fell further this year to 67%. Whilst, in recent years, GSA has placed significant focus working to improve the NSS results through coordinated actions from staff and more systematic engagement with students, these activities have yet to be reflected in our NSS outcomes. The whole School takes this issue very seriously and further efforts to improve our results are underway.

Corporate Strategy

The Director is responsible to the Board for the School's day-to-day management, policy, and the development and execution of the School's Strategic Plan. In respect of its strategic direction and responsibilities, the Board receives recommendations and advice from the Director.

The Director

The Director is the School's Chief Accountable Officer, is responsible for the proper use of funds received from the SFC, and has responsibility for reviewing the effectiveness of the system of internal control. The Director chairs the School's Executive Group and the Academic Council. The Director represents the School on Universities Scotland and other external bodies. Academic policy is devolved by the Board to the Director, as advised by Academic Council.

Going Concern

The Board considers that the School has adequate resource to continue in operational existence for the foreseeable future.

Attendance at meetings between 1 August 2017 and 31 July 2018
The attendance of the individual Governors at Board and major Committee meetings between 1 August 2017 and 31 July 2018 was as follows:

	Board of Governors	Audit	Business	Estates	Joint Business and Estates	Interim and Urgent Business
	8**	4	4	4	1	4
Mr Charles Beattie	3/8	4/4	-	-	-	-
Mr Douglas Brown	6/6	-	4/4	4/4	1/1	-
Ms Polly Christie	7/8	-	-	-	-	4/4
Ms Laura Glennie	6/8	-	4/4	4/4	1/1	3/4
Ms Muriel Gray	7/8	3/4*	2/4	4/4	1/1	3/4
Professor Tom Inns	8/8	3/4*	4/4	3/4	1/1	4/4
Professor Nora Kearney	8/8	-	-	-	-	4/4
Dr Kate Lampitt Adey	2/4	-	-	-	-	-
Ms Eleanor McAllister	2/2	-	1/2	2/2	-	-
Mr Michael McAuley	5/5	-	-	1/1	1/1	-
Dr Susie Mitchell	4/8	4/4	-	-	-	-
Mr Habib Motani	4/4	-	-	-	-	-
Professor Ken Neil	8/8	-	-	-	-	-
Ms Christa Reekie	8/8	-	3/4	3/4	1/1	-
Mr Harry Rich	4/4	-	-	-	-	-
Professor Johnny Rodger	5/8	-	-	-	-	-
Mr Ken Ross	7/8	-	2/4	-	0/1	-
Sir Muir Russell	7/8	3/4	4/4	-	1/1	1/4
Mr James Sanderson	3/5	-	-	1/1	1/1	-
Dr Sarah Smith	2/8	-	-	-	-	-
Mr Andrew Sutherland	8/8	-	4/4	-	1/1	-
Ms Lesley Thomson	7/8	-	-	-	-	4/4
Professor Alison Yarrington	3/8	-	-	-	-	-
Dr Craig Williamson, Registrar and Secretary	8/8*	4/4*	4/4*	1/1*	1/1*	4/4*
Mr Alastair Milloy, Director of Finance and Resources	8/8*	4/4*	4/4	3/4	1/1	-

* denotes attendee not full member
** The full Board normally meets four times each year in committee form and once per year in away-day format. Owing to the fire in June 2018, additional extraordinary meetings of the Board were held in June and July 2018.

Ms Muriel Gray

Chair

10 December 2018

Professor Irene McAra-McWilliam

Director

Opinion

We have audited the financial statements of The Glasgow School of Art (the 'School') and its subsidiaries (the 'Group') for the year ended 31 July 2018 which comprise the Group and School Statement of Comprehensive Income, the Group and School Statement of Changes in Reserves, the Group and School Balance Sheet, the Group Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the School's affairs as at 31 July 2018 and of the Group's and School's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Accounts Direction issued by the Scottish Funding Council.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Opinion on other matters prescribed by the Scottish Funding Council's Financial Memorandum with Higher Education Institutions

In our opinion, in all material respects:

- funds from whatever source administered by the School for specific purposes have been applied properly 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 requirements of the SFC Financial Memorandum with Higher Education Institutions.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the School and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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) require us to report to you if, in our opinion:

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

Responsibilities of the Board of Governors and Directors

As explained more fully in the Statement of Responsibilities of the Board of Governors and Directors for Accounting and the Financial Statements set out on page 12, the Board (who are Trustees for the purpose of charity law) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors and Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the Board of Governors and Directors, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and regulation 10 of the Charities Accounts (Scotland) regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the Board, as a body, 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 School and the Board, as a body, for our audit work, for this report, or for the opinions we have formed.

James McBride, Senior Statutory Auditor
For and on behalf of Scott Moncrieff, Statutory Auditor
Allan House
25 Bothwell Street
Glasgow
G2 6NL

Date: 10 December 2018

Group and School Statement of Comprehensive Income
Year Ended 31 July 2018

	Notes	Year ended 31 July 2018 Consolidated £'000	School £'000	Year ended 31 July 2017 Restated Consolidated £'000	Restated School £'000
Income					
Tuition fees and education contracts	1	**15,070**	**13,911**	13,097	11,915
Funding body grants	2	**14,072**	**14,072**	14,329	14,329
Research grants and contracts	3	**2,793**	**2,793**	3,916	3,916
Other income	4	**3,279**	**3,240**	3,216	3,490
Insurance income	4	**3,233**	**3,233**	-	-
Development Trust income	4	**1,779**	**8,200**	5,725	-
Investment income	5	**354**	**349**	513	513
Total income		**40,580**	**45,798**	40,796	34,163
Expenditure					
Staff costs	7	**23,089**	**22,554**	21,986	21,421
Other operating expenses	8	**10,355**	**10,188**	9,799	9,567
Impairment charge	8	**18,062**	**18,062**	-	-
Campus redevelopment expenditure : refurbishment	9	**9,248**	**9,248**	2,875	2,875
Campus redevelopment expenditure :business interruption	9	**2,678**	**2,678**	1,133	1,133
Depreciation	13	**3,021**	**3,021**	3,465	3,465
Interest and other finance costs	10	**539**	**539**	657	657
Total expenditure		**66,992**	**66,290**	39,915	39,118
(Deficit) / surplus before other gains losses and share of operating surplus/(deficit) of joint ventures and associates	11	**(26,412)**	**(20,492)**	881	(4,955)
Share of operating (deficit) / surplus in joint venture	16a	**(1)**	-	9	-
Accumulated income retained within specific endowments	15	**82**	**82**	149	149
Gain on investments - appreciation of endowment assets	15	**209**	**209**	420	420
(Deficit) / surplus before tax		**(26,122)**	**(20,201)**	1,459	(4,386)
Taxation	12	**(72)**	-	(50)	-
(Deficit) / surplus for the year		**(26,194)**	**(20,201)**	1,409	(4,386)
Other comprehensive income					
Actuarial gain in respect of pension schemes	32	**7,092**	**7,092**	379	379
Revaluation of heritage assets	14	**(200)**	**(200)**	2,185	2,185
Total comprehensive income for the year		**(19,302)**	**(13,309)**	3,973	(1,822)
Represented by:					
Endowment comprehensive income for the year		**291**	291	569	569
Restricted comprehensive income for the year		**1,780**	8,200	5,719	-
Unrestricted comprehensive income for the year		**(21,173)**	(21,600)	(4,500)	(4,576)
Revaluation reserve comprehensive income for the year		**(200)**	(200)	2,185	2,185
		(19,302)	**(13,309)**	3,973	(1,822)
Surplus for the year attributable to:					
School		**(19,302)**	**(13,309)**	3,973	(1,822)

All items of income and expenditure relate to continuing activities

Group and School Statement of Changes in Reserves

Year ended 31 July 2018

Consolidated	Endowment £'000	Restricted £'000	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2016	3,719	2,072	34,354	19,253	59,398
Total comprehensive income	569	5,719	(4,500)	2,185	3,973
Transfers between revaluation and income and expenditure reserve	-	-	322	(322)	-
	569	5,719	(4,178)	1,863	3,973
Balance at 1 August 2017	4,288	7,791	30,176	21,116	63,371
Total comprehensive income	291	1,780	(21,173)	(200)	(19,302)
Transfers between revaluation and income and expenditure reserve	-	-	322	(322)	-
Subsidiary reserves exchange rate adjustment	-	-	(175)	-	(175)
	291	1,780	(21,026)	(522)	(19,477)
Balance at 31 July 2018	**4,579**	**9,571**	**9,150**	**20,594**	**43,894**

School	Endowment £'000	Restricted £'000	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2016	3,719	-	33,702	19,253	56,674
Total comprehensive income	569	-	(4,576)	2,185	(1,822)
Transfers between revaluation and income and expenditure reserve	-	-	322	(322)	-
	569	-	(4,254)	1,863	(1,822)
Balance at 1 August 2017	4,288	-	29,448	21,116	54,852
Total comprehensive income	291	8,200	(21,600)	(200)	(13,309)
Transfers between revaluation and income and expenditure reserve	-	-	322	(322)	-
	291	8,200	(21,278)	(522)	(13,309)
Balance at 31 July 2018	**4,579**	**8,200**	**8,170**	**20,594**	**41,543**

Group and School Balance Sheet
Year ended 31 July 2018

	Notes	As at 31 July 2018 Consolidated £'000	As at 31 July 2018 School £'000	As at 31 July 2017 Consolidated £'000	As at 31 July 2017 School £'000
Non-current assets					
Fixed assets	13	**71,626**	**71,626**	80,598	80,598
Heritage assets	14	**12,785**	**12,719**	12,985	12,919
Investments	15	**4,579**	**4,579**	4,288	4,288
Investment in joint venture	16	**42**	-	43	-
		89,032	**88,924**	97,914	97,805
Debtors greater than one year	18	**6,214**	**-**	12,449	1,250
Current assets					
Stock	17	**86**	**86**	86	86
Trade and other receivables	18	**7,034**	**6,588**	11,718	7,968
Cash and cash equivalents	20a	**4,417**	**3,693**	10,506	6,890
Current asset investments - bank deposits	20b	**19,000**	**19,000**	24,035	24,035
		30,537	**29,367**	46,345	38,979
Less: Creditors: amounts falling due within one year	21	**(13,991)**	**(13,850)**	(16,971)	(16,816)
Net current assets		**16,546**	**15,517**	29,374	22,163
Total assets less current liabilities		**111,792**	**104,441**	139,737	121,218
Creditors: amounts falling due after more than one year	22	**(60,833)**	**(55,833)**	(63,539)	(53,539)
Provisions					
Pension provisions	24	**(7,065)**	**(7,065)**	(12,827)	(12,827)
Total net assets		**43,894**	**41,543**	63,371	54,852
Restricted Reserves					
Endowment reserve	25	**4,579**	**4,579**	4,288	4,288
Restricted reserve	26	**9,571**	**8,200**	7,791	-
Unrestricted Reserves					
Income and expenditure reserve		**9,150**	**8,170**	30,176	29,448
Revaluation reserve		**20,594**	**20,594**	21,116	21,116
Total Reserves		**43,894**	**41,543**	63,371	54,852

The financial statements were approved by the Board of Governors on 10 December 2018 and were signed on its behalf on that date by:

Professor Irene McAra-McWilliam OBE, Director

Muriel Gray, Chair

Group Statement of Cash Flows
Year ended 31 July 2018

	Notes	**31 July 2018**	31 July 2017
		£'000	£'000
Cash flow from operating activities			
(Deficit)/surplus for the year		**(26,194)**	1,409
Adjustment for non-cash items			
Depreciation	13	**3,021**	3,465
Impairment adjustment		**18,062**	-
(Increase) in stock	17	**-**	(12)
Decrease/(increase) in debtors	18	**5,919**	(4,234)
Increase in creditors	21	**630**	1,383
(Decrease) in pension provision	24	**(90)**	(97)
(Decrease) in other provisions	24	**-**	(15)
Taxation		**72**	50
Share of operating (surplus)/deficit in joint venture	16a	**1**	(9)
Tax paid	21	**(50)**	(54)
Staff costs- FRS102 pension adjustment	7	**1,090**	887
Adjustment for investing or financing activities			
Gain on investments	15	**(209)**	(420)
Accumulated income of endowment investments	15	**(82)**	(149)
Investment income	5	**(354)**	(513)
Interest payable	10	**539**	657
Funding council loan support grants	2	**(149)**	(321)
Release of deferred capital grants	22	**(1,297)**	(1,280)
Net cash inflow from operating activities		**909**	747
Cash flows from investing activities			
Investment income	5	**354**	513
Payments made to acquire fixed assets	13	**(12,111)**	(8,611)
		(11,757)	(8,098)
Cash flows from financing activities			
Interest paid	10	**(60)**	(64)
Repayments of loan amounts borrowed	21,22	**(98)**	(92)
New finance leases		**-**	36
Capital repayments of finance leases	21,22	**(118)**	(115)
		(276)	(235)
		(11,124)	(7,586)
less: deposits withdrawn		**5,035**	10,006
(Decrease) / increase in cash and cash equivalents in the year		**(6,089)**	2,420
Cash and cash equivalents at beginning of the year	20a	**10,506**	8,086
Cash and cash equivalents at end of the year	20a	**4,417**	10,506
(Decrease) / increase in cash and cash equivalents in the year		**(6,089)**	2,420

Statement of Principal Accounting Policies and Estimation Techniques
Year ended 31 July 2018

1 General information

The School is registered under The Further and Higher Education (Scotland) Act 1992. The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Accounts Direction issued by the Scottish Funding Council and the Statement of Recommended Practice: Accounting for Further and Higher Education.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the School's accounting policies (see note 3).

The presentation currency is pound sterling and the financial statements are rounded to the nearest £000. These financial statements comprise the results of the School and of its Group.

The Group consists of The Glasgow School of Art, The Glasgow School of Art Development Trust, GS of A Singapore Pte Ltd and the School's joint venture, The Centre for Digital Documentation and Visualisation LLP (CDDV). The School is defined as a public benefit entity and thus the School complies with all disclosure requirements relating to public benefit entities. The School is a registered company and its registered number is SC002271. The School is a registered charity in Scotland and its registered number is SC012490. The registered address is 167 Renfrew Street, Glasgow, G3 6RQ.

2 Accounting policies

Introduction and accounting basis

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 July 2018, which occurred before the date of approval of the financial statements by the Board of Governors have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 July 2018 and of the results for the year ended on that date. The accounting policies of the School are set out below.

Basis of consolidation

The group financial statements include the School and its subsidiary, GS of A Singapore Pte Ltd, and its joint venture with Historic Environment Scotland, CDDV LLP. The group financial statements also include The Glasgow School of Art Development Trust which has been deemed as being controlled by GSA. Intra-group transactions and balances are eliminated fully on consolidation. In accordance with Financial Reporting Standard (FRS) 102, the activities of the GSA student union and GSA Enterprises Ltd have not been consolidated because the School does not control those activities.

Going concern

The financial statements have been prepared on the going concern basis of accounting.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date. The resulting exchange differences are taken to the Statement of Comprehensive Income in the year.

Cash and cash equivalents

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash. Cash equivalents includes deposits held for a maturity of less than 3 months.

Current asset investments

These liquid resources comprise assets held as a readily disposable store of value. They include term deposits > 3 months, government securities and loan stock held as part of the School's treasury management activities. They exclude any such assets held as endowment asset investments.

Statement of Principal Accounting Policies and Estimation Techniques
Year ended 31 July 2018

Recognition of Income

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the School recognises the related costs for which the grant is intended to compensate in line with the accruals model. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Non-recurring grants from the SFC or other Government bodies received in respect of the acquisition of fixed assets are treated as deferred Government capital grants and amortised in line with depreciation over the life of the assets.

Income from contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

Non government revenue and capital grants are recognised as income once any performance conditions have been met.

Income from tuition fees is recognised in the financial period it relates to and includes all fees payable by students or their sponsors. All income from short term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned. Income from specific endowments, not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to specific endowments.

In the Glasgow School of Art Development Trust's financial statements, the pledges and funding from the UK Government and the matched funding pledge from the Scottish Government are shown as incoming resources. At group level the funding from the UK and Scottish Governments are in substance deferred Government capital grants and have been treated as such within the Group figures.

Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income when receivable.

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Pension Schemes

The School participates in two pension schemes providing benefits based on final pensionable pay, the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). All 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 School. The Funds are valued by actuaries, the rates of contributions being determined by the trustees on the advice of the actuaries.

Strathclyde Pension Fund

The scheme is a defined benefit scheme and is accounted as a defined benefit scheme under Financial Reporting Standard 102.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. 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 recognised in the Statement of Comprehensive Income.

Scottish Teachers Superannuation Scheme

Members of the academic staff are members of the Scottish Teachers' Superannuation Scheme to which the School contributes. 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 School has utilised the provisions of FRS102 whereby the contributions to the scheme are recognised as if it were a defined contribution scheme. The cost recognised within the School's Statement of Comprehensive Income will be equal to the contribution payable to the scheme for the year. Under statute, accounts for this scheme are prepared by the relevant body.

A small number of staff are in other defined contribution pension schemes but the School would only contribute if the employee was ineligible to join one of the two main public sector schemes.

Land and Buildings

Tangible Fixed Assets land and buildings are stated at cost or valuation, less a provision for depreciation. The basis of the valuation is depreciated replacement cost. The last valuation was carried out on 31 July 1995 by Grimleys, Chartered Surveyors. All additions since that date have been included at historical cost and their value is deemed to be at least equal to the cost incurred. Buildings are depreciated over their expected useful lives of up to 50 years, with subsequent improvements to buildings depreciated over their useful lives of 10 or 20 years depending upon whether the improvement is classed as minor (10 years) or major (20 years).

Costs incurred in increasing the value of a building are capitalised if the cost of the improvement is over £5,000. If the cost incurred is over £5,000, but not considered to increase the value of the building, it will be written off in the year it is incurred. Where the property improvement cost that is to be capitalised has been incurred with the aid of a specific Government grant, it is depreciated as above. The related Government grant is treated as a deferred capital grant and released to the Statement of Comprehensive income over the period stated above.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2018. They are not depreciated until they are brought into use.

Assets held for the Nation: Heritage Assets

The School holds and conserves heritage assets for future generations. As a general policy, heritage assets are recognised in the Balance Sheet where the School has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Balance Sheet.

The carrying amount of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage. The School does not intend to dispose of heritage assets. The carrying value is based on the insurance value as at 31 July 2018 and was carried out by Axa Art, independent valuers.

Investments

Subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provision for impairment in the School's Balance Sheet.

The joint venture with Historic Environment Scotland, CDDV LLP, is accounted for under the net equity method.

Equipment

All equipment and minor building improvements costing less than £5,000 for an individual item, or group of related items, is written off to the Statement of Comprehensive Income in the year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated over its useful economic life as follows:

Telephone equipment:	10 years straight line
Other IT equipment and software:	6 years straight line
Furniture, fittings and minor building improvements:	10 years straight line
Other equipment:	6 years straight line
Minor building improvements	15 years straight line

Where the equipment that is to be capitalised has been acquired with the aid of a specific Government grant, it is depreciated as above. The related grant is treated as a deferred capital grant and released to the Statement of Comprehensive Income over the period stated above. A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount of any fixed assets may not be recoverable. Depreciation is charged from the date of acquisition.

Non-government grants received to fund a capital asset are recognised as income when any performance conditions have been met.

Leased assets

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

Lease agreements which transfer to the School substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Investments

Endowment Asset Investments are included in the Balance Sheet at market value as at the year-end.

Stocks

Stocks are stated at the lower of cost or net realisable value.

Debtors

Short term debtors are measured at the transaction price, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Government capital grants

Government Capital Grants, at amounts approved by The UK Government, The Scottish Government, Glasgow City Council or any other government agency, are treated as a deferred capital grant and are released to income in accordance with the accrual model over the useful life of the asset it relates. The accrual model requires the School to recognise income on a systematic basis over the period in which the School recognises the related costs for which the grant is intended to compensate.

Government revenue grants

Government revenue grants are recognised using the accrual model which means the School recognises the grant in income on a systematic basis over the period in which the School recognises the related costs for which the grant is intended to compensate.

Non-government grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.
A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Provisions

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

Agency arrangements

Funds the School receives and disburses as a paying agent on behalf of a funding body or other body, where the School is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the Statement of Comprehensive Income.

Financial instruments

The School only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the School has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Maintenance of Premises

The cost of routine maintenance is charged to the Statement of Comprehensive Income as incurred.

Taxation Status

The School 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. SC012490). Accordingly, the School is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 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 School 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.

The School’s subsidiary commercial company is subject to corporation tax and VAT in the same way as any commercial organisation.

Revaluation gains relate to charitable activities and as such no deferred tax is recognised in respect of these unrealised gains.

Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

- Restricted permanent endowment – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.
- Unrestricted permanent endowment – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the School.
- Restricted expendable endowment – the donor has specified a particular objective and the School can convert the endowed capital into income.

Statement of Cash Flows

The exemption from including a Statement of Cash Flows for the School, the parent entity, allowed by the SORP (3.3) has been taken.

3 Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Governors are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are based on the knowledge of the senior management team with respect to expected life cycles.

Recoverability of debtors

Bad debt provisions are incorporated where deemed necessary base on the senior management team's knowledge of the transactions and payment history of the debtor.

Obligations under the Strathclyde Pension Scheme and pension enhancements on early retirement

This has relied on the actuarial assumptions of the qualified actuary which have been reviewed and are considered appropriate.

The valuation of the heritage assets

The heritage assets have been valued by an appropriately qualified expert valuer.

Mackintosh project

The Mackintosh project incorporated both the repair of the building and improvement / refurbishment work . The surveyor for the project estimated that 71% of the project cost, undertaken before the fire in June 2018, related to repair work and 29% of the project cost related to improvement / refurbishment work. Thus costs have been recognised on this basis with the repair costs expensed and improvement / refurbishment work capitalised. Following the fire in June 2018, the capital value of the works performed to date was fully impaired, as detailed in note 13.

		Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	**School**	Consolidated	School
1	**Tuition fees and education contracts**	**£'000**	**£'000**	£'000	£'000
	Scotland and EU fees	**3,111**	**3,111**	2,823	2,823
	RUK fees	**3,806**	**3,806**	3,154	3,154
	Non EU fees	**7,357**	**6,198**	6,416	5,234
	Education contracts	**448**	**448**	447	447
	Non credit bearing course fees	**348**	**348**	257	257
		15,070	**13,911**	13,097	11,915

		Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	**School**	Consolidated	School
2	**Funding Council grants**	**£'000**	**£'000**	£'000	£'000
	General fund - Teaching	**7,578**	**7,578**	7,233	7,233
	General fund - Research and Knowledge Exchange	**1,273**	**1,273**	1,468	1,468
	Small specialist institution grant	**2,820**	**2,820**	3,076	3,076
	Other SFC grants	**1,087**	**1,087**	1,066	1,066
	Deferred capital grants released in year				
	Buildings	**1,064**	**1,064**	1,065	1,065
	Equipment	**101**	**101**	100	100
	SFC Loan support grant	**149**	**149**	321	321
		14,072	**14,072**	14,329	14,329

		Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	**School**	Consolidated	School
		£'000	**£'000**	£'000	£'000
3	**Research grants and contracts**				
	Research councils	**763**	**763**	365	365
	Research charities	**152**	**152**	354	354
	Government (UK and overseas)	**742**	**742**	2,504	2,504
	Industry and commerce	**1,126**	**1,126**	621	621
	Other	**10**	**10**	72	72
		2,793	**2,793**	3,916	3,916

		Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	**School**	Consolidated	School
		£'000	**£'000**	£'000	£'000
4	**Other income**				
	Residences	**1,560**	**1,560**	1,593	1,593
	Release from deferred grants (Non SFC)	**132**	**132**	115	115
	Other income generating activities	**212**	**212**	238	238
	Dividend due from GSoA Singapore pte	**0**	**0**	-	300
	Other income	**1,375**	**1,336**	1,270	1,244
		3,279	**3,240**	3,216	3,490
	Insurance income				
	Insurance monies (including accrued income)	**3,233**	**3,233**	**-**	**-**
		3,233	**3,233**	**-**	**-**
	Development Trust income				
	Development Trust income	**1,779**	**8,200**	5,725	-
		1,779	**8,200**	5,725	**-**

		Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	**School**	Consolidated	School
5	**Investment income**	**£'000**	**£'000**	£'000	£'000
	Investment income on endowments	**140**	**140**	257	257
	Other investment income	**214**	**209**	256	256
		354	**349**	513	513

6	**Segmental Reporting**	**2018**	2017
	The group activities are carried out in Glasgow and Singapore.	**Consolidated**	Consolidated
	Group Turnover for these two markets is split as:	**£'000**	£'000
	Glasgow	**39,381**	39,588
	Singapore	**1,199**	1,208
		40,580	40,796

£1,454k (2017: £3,546k) of Scottish Government matched funding has been recognised in the financial statements of The Glasgow School of Art Development Trust as incoming resources. At group level the funding is, in substance, a deferred Government capital grant and thus a consolidation adjustment has been made to reallocate this income to deferred Government capital grants in the group figures.

	Year Ended 31 July 2018 Consolidated £'000	School £'000	Year Ended 31 July 2017 Restated Consolidated £'000	Restated School £'000
7 Staff costs				
Salaries	**17,591**	**17,104**	16,713	16,148
Social security costs	**1,710**	**1,676**	1,651	1,651
Pensions	**2,679**	**2,665**	2,554	2,554
Pension FRS 102 service charge (note 32)	**1,090**	**1,090**	887	887
Severance and redundancy costs	**19**	**19**	181	181
Total	**23,089**	**22,554**	21,986	21,421

	Year Ended 2018 £'000	Year Ended 2017 £'000
Emoluments of the Director		
Salary	**160**	151
Pension contributions	**28**	26
	188	177

The Director (Professor Tom Inns) stepped down on 2nd November 2018

Key management personnel

The emoluments ,excluding pension contributions, of the senior management staff School and Group (the Executive Group) including staff Governors, in the following ranges, were:

	No.	No.
< £50,000	**1**	3
£50,001 to £60,000	**2**	2
£60,001 to £70,000	**-**	1
£70,001 to £80,000	**5**	4
£80,001 to £90,000	**1**	1
£90,001 to £100,000	**4**	3
£100,001 to £110,000	**-**	1
£110,001 to £120,000	**1**	-
£130,000 to £140,000	**-**	1
£150,000 to £160,000	**1**	-
	15	16

The Key management personnel emoluments are made up as follows:	Year Ended 2018 £000	Year Ended 2017 £000
Salaries	**1,287**	1,194
Employers national insurance	**160**	154
Pension contributions	**233**	208
Total emoluments	**1,680**	1,556

The ratio of the remuneration of the Director to the median salary of a School staff member is 5.68 (2017: 5.58).

The number of directors receiving benefits under defined benefit schemes:	**4**	4

The average number of staff employed by the School expressed as full time equivalents was:

	Year Ended 31 July 2018 Consolidated	School	Year Ended 31 July 2017 Consolidated	School
Academic	**130**	**122**	127	119
Academic support	**87**	**87**	92	92
Research	**49**	**49**	50	50
Other support	**38**	**38**	37	37
Admin and central services	**52**	**52**	51	51
Premises	**56**	**56**	49	49
Residences	**2**	**2**	1	1
	414	**406**	407	399

7 Staff costs (continued)

Governors emoluments

The emoluments of the Governors including staff governors, excluding pension contributions,fall into the following bands:

	Year Ended 2018 Number	Year Ended 2017 Number
NIL	**19**	19
£35,001 - £40,000	**1**	1
£55,001 - £60,000	**2**	2
£65,001 - £70,000	**-**	-
£90,001 - £95,000	**1**	1
£95,001 - £100,000	**-**	-
£130,001 - £135,000	**-**	-
£135,001 - £140,000	**-**	-
£150,001 - £155,000	**1**	1
	24	24

The Governors' emoluments are made up as follows:	Year Ended 2018 £000	Year Ended 2017 £000
Salaries	**402**	393
Pension contributions	**70**	58
Total emoluments	**472**	451

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
8 Other operating expenses				
Academic and related expenditure	**2,783**	**2,619**	2,175	2,175
Administration and central services	**1,909**	**1,909**	1,595	1,595
Premises	**2,212**	**2,212**	2,347	2,347
Residences, catering and conferences	**1,430**	**1,430**	1,363	1,363
Dev Trust expenditure	**3**	**-**	6	-
Research grants and contracts	**980**	**980**	1,123	1,123
Other expenses	**1,038**	**1,038**	1,190	964
	10,355	**10,188**	9,799	9,567
Asset impairment charge	**18,062**	**18,062**	-	-

During the year, the Mackintosh building suffered a devastating fire. The original cost of the building, as well as the cost of all capital works performed as part of the Mackintosh project have been fully impaired as a result, leaving only the value of the land within fixed assets. See note 13 for further details.

9 Campus redevelopment expenditure	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Mackintosh refurbishment and campus redevelopment costs:				
Business Interruption costs	**2,678**	**2,678**	1,133	1,133
Mackintosh refurbishment costs	**9,248**	**9,248**	2,875	2,875
	11,926	**11,926**	4,008	4,008

	Notes	Year Ended 31 July 2018 Consolidated £'000	School £'000	Year Ended 31 July 2017 Restated Consolidated £'000	Restated School £'000
10 Interest and other finance costs					
Mortgage and loan interest		**60**	**60**	64	64
Interest paid by SFC on loan support for Reid building		**149**	**149**	321	321
Net charge on pension scheme (note 32)		**330**	**330**	272	272
		539	**539**	657	657

11 (Deficit)/surplus	Year Ended 31 July 2018 Consolidated £'000	School £'000	Year Ended 31 July 2017 Consolidated £'000	School £'000
The (deficit)/surplus is stated after charging for:				
External auditors remuneration in respect of the audit of the financial statements	**20**	**20**	18	18
External auditors remuneration : subsidiaries	**6**	**-**	6	-
External auditors remuneration : corporate tax work	**6**	**6**	5	5
External auditors remuneration : other audit work	**6**	**6**	7	7
Internal auditors remuneration in respect of audit services	**35**	**35**	32	32
Internal auditors remuneration other services	**-**	**-**	8	-
Depreciation - owned assets	**2,985**	**2,985**	3,356	3,356
Depreciation - financed assets	**36**	**36**	109	109
Operating leases - land and buildings	**2,361**	**2,361**	2,152	2,152

12 Taxation	Year Ended 31 July 2018 Consolidated £'000	School £'000	Year Ended 31 July 2017 Consolidated £'000	School £'000
Recognised in the statement of comprehensive income				
Current tax				
School	**-**	**-**	-	-
Tax re GSofA Singapore Pte Ltd	**72**	**-**	50	-
Total tax expense	**72**	**-**	50	-

No corporation tax was due on the activities of the School (2017: nil).

13 Fixed Assets

	Freehold Land and Buildings	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost / valuation				
At 1 August 2017	87,777	7,538	13,696	109,011
Additions	17	626	11,468	12,111
Transfers	76	-	(76)	-
Impairment	(23,378)	-	(8,026)	(31,404)
Disposals		-	-	-
At 31 July 2018	**64,492**	**8,164**	**17,062**	**89,718**
Consisting of valuation as at:				
1 July 1995	15,890	-	-	15,890
Cost	48,602	8,164	17,062	73,828
	64,492	**8,164**	**17,062**	**89,718**
Depreciation				
At 1 August 2017	24,177	4,236	-	28,413
Charge for the year	2,466	555	-	3,021
Depreciation on impairment	(13,342)	-	-	(13,342)
Disposals	-	-	-	-
At 31 July 2018	**13,301**	**4,791**	**-**	**18,092**
Net book value				
At 31 July 2018	**51,191**	**3,373**	**17,062**	**71,626**
At 31 July 2017	63,600	3,302	13,696	80,598

Leased assets included above:

Net Book Value:	
At 31 July 2018	**148**
At 31 July 2017	184

Consolidated fixtures, fittings and equipment include assets held under finance leases as follows:

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000
Cost	**446**	446
Accumulated depreciation	**(262)**	(153)
Charge for year	**(36)**	(109)
Net book value	**148**	184

In May 2014 the School's Mackintosh Building was badly damaged by a major fire. A valuation of the building obtained after the fire valued the building considerably in excess of the depreciated figure used in these accounts. Accordingly it was deemed that, in this circumstance, that it was satisfactory not to impair the Mackintosh Building. In June 2018 the Mackintosh building suffered a second, more devastating, fire. Given the extent of the damage, the value of the building has been fully impaired, leaving only the land value within total fixed assets.
The impairment charge shown in the SOCI of £18,062k is made up of capital value of £31,404k less the accumulated depreciation of £13,342k.

The School's policy is that assets are retained at either their 1995 valuation or their historic cost for additions since that date.
Land and Buildings were valued in 1995 by a firm of independent chartered surveyors on a depreciated replacement cost basis.
All additions since that date have been included at historic cost and their value is deemed to be at least equal to the cost incurred.

Buildings with a net book value of £7,311,495 (2016/17: £7,201,825) have been funded from Treasury sources. Should these particular buildings be sold, the School would have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

Valuation of Land & Buildings (Including Inherited Land & Buildings)

Land and buildings have been included at valuation with the following amounts:	2018 £000	2017 £000
Increase from valuation of inherited buildings	**15,013**	15,013
Increase from valuation of purchased buildings	**877**	877
Aggregate depreciation on revalued amount	**(8,015)**	(7,693)
Net book value	**7,875**	8,197

The inherited land and buildings concerned were all inherited prior to the 1995 valuation at nil cost. The net book value is £7,419k (2016-17 £7,724k)
The revalued buildings were purchased prior to the revaluation in 1995.

14 Heritage assets

The heritage assets include, amongst others, the School's Charles Rennie Mackintosh furniture and art collections. It also includes the Library's rare and valuable books collection. In May 2014 the School's Mackintosh Building was badly damaged by a major fire. The building housed a large proportion of the heritage assets and unfortunately some of the collection was destroyed. The fall in valuation in 2014 was as a result of the damage caused by the fire but the School was insured in respect of this loss. In June 2018 a further devastating fire struck the Mackintosh building, which caused damage to the Reid Building which housed a small number of heritage assets which were destroyed as a result. The fall in valuation in 2018 was as a result of this however once again the school was insured in respect of this loss.

The valuation disclosed in the Balance Sheet is based on the assessment of the School's insurance replacement value for the combined collections. These insurance valuations are updated, at least, annually and the most recent valuation was performed at June 2018. In addition, individual collections are reviewed periodically to ensure the accuracy of the valuation.

Further information about the School's collections is publicly available on the School's website.

School	**2018 £'000**	**2017 £'000**	**2016 £'000**	**2015 £'000**	**2014 £'000**
Value of heritage assets acquired by donation	**12,919**	10,734	8,827	8,827	12,875
Adjustments to valuation or cost	**(200)**	2,185	1,907	-	(4,048)
Balances as at 31 July	**12,719**	12,919	10,734	8,827	8,827
Glasgow School of Art Development Trust					
Value of heritage assets acquired by donation	**66**	66	50	-	-
Group Total	**12,785**	12,985	10,784	8,827	8,827

15 Endowments

	2018 £'000	**2017 £'000**
At 1 August 2017	**4,288**	3,719
Additions	**831**	578
Disposals	**(411)**	(876)
(Decrease) / increase in cash balances held at fund managers	**(338)**	447
Appreciation of endowment asset investments in year	**209**	420
At 31 July 2018	**4,579**	4,288

16a Investment in joint venture

The School holds a 50% share of The Centre for Digital Documentation and Visualisation LLP (CDDV). This is a joint venture owned equally by the School and Historic Environment Scotland. The arrangement is treated as a joint venture and is accounted for using the equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the School and 50% of its net income is reported in the School's consolidated income and expenditure account.

	Year ended 31 July 2018		Year ended 31 July 2017	
	£'000	**£'000**	£'000	£'000
Income and expenditure account				
Net income		**(1)**		9
Balance sheet				
Fixed assets	**-**		-	
Current assets	**220**		379	
		220		379
Creditors: amounts due within one year	**-**		-	
Creditors: amounts due after more than one year	**(178)**		(336)	
		(178)		(336)
Share of net assets		**42**		43

16b Investment in subsidiaries

The School's investment, at the balance sheet date, in the share capital of companies includes the following:

Name	**Class of shares**	**Holding**
GSofA Singapore pte	Ordinary	100%
The Glasgow School of Art Development Trust	Ordinary	100%

The principal activity of GSofA Singapore are those related to the provision of degree level education in Singapore and the principal activity of The Glasgow School of Art Development Trust is to raise funds to support the strategic priorities of The Glasgow School of Art.

17 Stock

	Year ended 31 July 2018 Consolidated £'000	Year ended 31 July 2018 School £'000	Year ended 31 July 2017 Consolidated £'000	Year ended 31 July 2017 School £'000
General consumables	**86**	**86**	86	86
	86	**86**	86	86

18 Debtors

	Year ended 31 July 2018 Consolidated £'000	Year ended 31 July 2018 School £'000	Year ended 31 July 2017 Consolidated £'000	Year ended 31 July 2017 School £'000
Amounts falling due within one year:				
Trade debtors	**816**	**816**	798	798
Debts due from students	**594**	**594**	439	439
SFC Loan debtor within one year	**1,250**	**1,250**	5,000	5,000
Development funding debtor	**-**	**-**	3,588	-
Amounts due from subsidiary companies	**-**	**158**	-	448
Tax and social security	**75**	**75**	62	62
Prepayments and accrued income	**4,299**	**3,695**	1,831	1,221
	7,034	**6,588**	11,718	7,968
Amounts falling due in more than one year:				
SFC Loan debtor greater than one year	**-**	**-**	1,250	1,250
Development funding debtor	**6,214**	**-**	11,199	-
	6,214	**-**	12,449	1,250

19 Financial Instruments

	Year ended 31 July 2018 Consolidated £'000	Year ended 31 July 2018 School £'000	Year ended 31 July 2017 Consolidated £'000	Year ended 31 July 2017 School £'000
Financial Assets				
Cash and cash equivalents	**4,417**	**3,693**	10,506	6,890
Bank deposits	**19,000**	**19,000**	24,035	24,035
Financial assets measured at amortised cost	**11,818**	**2,818**	22,637	8,298
	35,235	**25,511**	57,178	39,223
Financial Liabilities				
Financial liabilities measured at amortised cost	**10,748**	**8,896**	15,348	13,467
	10,748	**8,896**	15,348	13,467

Financial assets measured at amortised cost comprise trade debtors, debts due from students, SFC loan debtor, development funding debtor, amounts due from subsidiary companies and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, secured loans, obligations under finance leases, payments in advance, research contracts accrual, accruals, combined loan and estate redevelopment loan.

20a Cash and cash equivalents

	Year ended 31 July 2018 Consolidated £'000	Year ended 31 July 2018 School £'000	Year ended 31 July 2017 Consolidated £'000	Year ended 31 July 2017 School £'000
Cash and cash equivalents	**4,417**	**3,693**	10,506	6,890
	4,417	**3,693**	10,506	6,890

20b Current asset investments

	Year ended 31 July 2018 Consolidated £'000	Year ended 31 July 2018 School £'000	Year ended 31 July 2017 Consolidated £'000	Year ended 31 July 2017 School £'000
Bank deposits	**19,000**	**19,000**	24,035	24,035
	19,000	**19,000**	24,035	24,035

21 Creditors : amounts falling due within one year

	Year ended 31 July 2018 Consolidated £'000	Year ended 31 July 2018 School £'000	Year ended 31 July 2017 Consolidated £'000	Year ended 31 July 2017 School £'000
Trade creditors	**566**	**566**	710	710
Secured loans	**1,320**	**1,320**	5,070	5,070
Obligations under finance leases	**51**	**51**	118	118
Payments in advance	**1,832**	**1,832**	1,696	1,696
Deferred SFC funding	**2,607**	**2,607**	2,598	2,598
Deferred capital grants	**1,296**	**1,296**	1,286	1,286
Taxation and social security	**121**	**-**	80	-
Research contracts accrual	**2,035**	**2,035**	2,159	2,159
Corporate tax	**-**	**-**	50	-
Accruals and deferred income	**4,163**	**4,143**	3,204	3,179
	13,991	**13,850**	16,971	16,816

22 Creditors : amounts falling due after more than one year

	Year ended 31 July 2018 Consolidated £'000	Year ended 31 July 2018 School £'000	Year ended 31 July 2017 Consolidated £'000	Year ended 31 July 2017 School £'000
Combined loan	**929**	**929**	1,027	1,027
Estate redevelopment loan	**-**	**-**	1,250	1,250
Deferred capital grants	**59,841**	**54,841**	61,148	51,148
Obligations under finance lease	**63**	**63**	114	114
	60,833	**55,833**	63,539	53,539
Analysis of secured and unsecured loans:				
Due within one year or on demand (Note 21)	**1,371**	**1,371**	5,188	5,188
Due between one and two years	**166**	**166**	1,423	1,423
Due between two and five years	**346**	**346**	365	365
Due in five years or more	**480**	**480**	603	603
Due after more than one year	**992**	**992**	2,391	2,391
Total secured and unsecured loans	**2,363**	**2,363**	7,579	7,579
Secured loans repayable by 2026	**2,249**	**2,249**	7,347	7,347
Finance leases	**114**	**114**	232	232
	2,363	**2,363**	7,579	7,579

Details of loans:

Combined loan: Repayable by quarterly instalments until December 2026

Loan rate 5.59 % (fixed) secured on the Sir Harry Barnes Building and the Margaret MacDonald House Residence

Estate redevelopment loan:
The School entered into a loan funding arrangement with the SFC for the Garnethill Estate redevelopment on 23 October 2012. This loan facility has been arranged with Barclays for £25.0m. The SFC have given a guarantee to the bank to cover all costs associated with the loan, negating any risk to the School. The interest rate on the loan is fixed at 3.44% p.a. Repayments are quarterly and are due to finish on 23rd October 2018.
A debtor for the future instalments receivable from SFC is included in debtors.

Lender	Amount £'000	Term	Interest rate %	Borrower
Barclays	1,250	2018	3.44	School
Barclays	999	2026	5.59	School
Total	2,249			

Deferred Capital Grants (Group and School)

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

Group	**Funding Council £'000**	**Other Grant & Benefactions £'000**	**Total £'000**
As at 1 August 2017			
Buildings	61,203	531	61,734
Equipment	700	-	700
	61,903	531	62,434
Capital grants received in year			
Buildings	-	-	-
Equipment	-	-	-
	-	-	-
Disposals			
Buildings	-	-	-
Equipment	-	-	-
	-	-	-
Released to Income and Expenditure			
Buildings	(1,064)	(132)	(1,196)
Equipment	(101)	-	(101)
	(1,165)	(132)	(1,297)
As at 31 July 2018			
Buildings	60,139	399	60,538
Equipment	599	-	599
	60,738	**399**	**61,137**

School	**Funding Council £'000**	**Other Grant & Benefactions £'000**	**Total £'000**
As at 1 August 2017			
Buildings	51,203	531	51,734
Equipment	700	-	700
	51,903	531	52,434
Capital grants received in year			
Buildings	-	5,000	5,000
Equipment	-	-	-
	-	5,000	5,000
Disposals			
Buildings	-	-	-
Equipment	-	-	-
	-	-	-
Released to Income and Expenditure			
Buildings	(1,064)	(132)	(1,196)
Equipment	(101)	-	(101)
	(1,165)	(132)	(1,297)
As at 31 July 2018			
Buildings	50,139	5,399	55,538
Equipment	599	-	599
	50,738	**5,399**	**56,137**

23 Obligations under finance leases

	Year ended 31 July 2018 Consolidated £'000	Year ended 31 July 2018 School £'000	Year ended 31 July 2017 Consolidated £'000	Year ended 31 July 2017 School £'000
Due within one year	**51**	**51**	118	118
Due between one and five years	**63**	**63**	114	114
Due in five years or more	**-**	**-**	-	-
Total secured and unsecured loans	**114**	**114**	232	232

The finance leases relate to the lease of equipment. There are no unusual terms or conditions. The net book value of the secured assets are £148k (2016/17: £184k).

24 Provisions for liabilities

Consolidated and School	**Pension Pension on termination £'000**	**Defined Benefit Obligations (Note 32) £'000**	**Total Pensions Provisions £'000**
At 1 August 2017	1,135	11,692	**12,827**
Income and expenditure movement	-	1,420	**1,420**
Actuarial gain	-	(7,092)	**(7,092)**
Utilised	(90)	-	**(90)**
At 31 July 2018	**1,045**	**6,020**	**7,065**

The provision for past service pensions relates to unfunded enhanced early retirals given in prior years. The provision was calculated by a firm of actuaries in July 2018 and this valuation was amended for movements in the year.

25 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000
Balances at 1 August 2017					
Capital	3,917	-	371	**4,288**	3,719
Accumulated income	-	-	-	**-**	-
	3,917	-	371	4,288	3,719
New endowments	-	-	-	**-**	-
Investment income	188	-	-	**188**	257
Expenditure	(106)	-	-	**(106)**	(108)
Increase in market value of investments	209	-	-	**209**	420
Total endowment comprehensive income for the year	291	-	-	**291**	569
At 31 July 2018	4,208	-	371	**4,579**	4,288
Represented by:					
Capital	4,126	-	371	**4,497**	4,139
Accumulated income	82	-	-	**82**	149
	4,208	-	371	**4,579**	4,288
Analysis by type of purpose:					
Prize funds	4,208	-	-	**4,208**	3,917
General	-	-	371	**371**	371
	4,208	-	371	**4,579**	4,288
Analysis by asset					
Current and non-current asset investments				**4,207**	3,579
Cash & cash equivalents				**372**	709
				4,579	**4,288**

Restricted permanent endowments are where the donor has specified the fund is to be permananetly invested to generate an income stream to be applied to a particular objective.

Expendable endowments are where the School is free to convert the capital to income and apply it to an appropriate objective as it sees fit.

26 Restricted Reserves

Reserves with restrictions are as follows:	2018 Total Consolidated	2018 Total School	2017 Total Consolidated	2017 Total School
Campus redevelopment reserve	**£'000**	**£'000**	**£'000**	**£'000**
Balances at 1 August 2017	**7,791**	**-**	2,072	-
Income	**1,782**	**8,200**	5,725	-
Expenditure	**(2)**	**-**	(6)	-
Total restricted comprehensive income for the year	**1,780**	**8,200**	5,719	-
At 31 July 2018	**9,571**	**8,200**	7,791	-

	2017 Total	2017 Total	2017 Total	2017 Total
Analysis of other restricted funds /donations by type of purpose:	**£'000**	**£'000**	**£'000**	**£'000**
Campus redevelopment (including Mackintosh restoration)	**9,571**	**8,200**	7,791	-
	9,571	**8,200**	7,791	-

£8,200k of funding was paid by GSA Development Trust to GSA in the year which is included as income within the School's results , however at Group level this transaction is removed on consolidation. However the funds are now held in a restricted reserve in GSA, whilst in the prior year it was held in a restricted reserv in GSA Development Trust, hence no movement in the Group's restricted reserve.

27 Capital and other commitments

The School was involved in one ongoing capital project at the year-end in respect of the restoration the former Stow College building.
The capital commitment with the main contractors for this project is £8,422,157 at 31 July 2018.

28 Contingent liabilities

There were no contingent liabilities at the Balance Sheet date.

29 Lease obligations

Total rentals payable under operating leases:

	31 July 2018		
	Land and Buildings	**Total**	**31 July 2017**
	£'000	**£'000**	**£'000**
Future minimum lease payments due:			
Not later than 1 year	**1,492**	**1,492**	1,519
Later than 1 year and not later than 5 years	**3,832**	**3,832**	4,054
Later than 5 years	**15,500**	**15,500**	16,437
Total lease payments due	**20,824**	**20,824**	22,010

30 Subsidiary and Joint Venture undertakings

GSofA Singapore pte

The school has a wholly owned subsidiary incorporated in Singapore. The School owns 100% of the share capital being 1SGD. Its financial results have been consolidated into the accounts for the year to 31 July 2018.
The transactions between GSA and GSofA Singapore related to management costs paid from GSofA Singapore to GSA of £158,074 (2016/17: £141,390). A dividend of £nil (2017: £300k) was declared by GSofA Singapore Pte in 2017/18.
As at 31 July 2018, a debtor of £158k (2017: £448k) is included in the accounts of the School for these amounts.

Centre for Digital Documentation and Visualisation LLP

The School has entered into the above joint venture arrangement with Historic Environment Scotland. This joint venture digitally documents heritag sites both in Scotland and internationally and the School undertakes work, at arms length prices, for this joint venture.
Located at the School's Digital Design Studio on Pacific Quay the centre specialises in the precise documentation and 3D representation of heritage objects, architecture and environments utilising state of the art high resolution laser scanning technology and 3D visualisation software.
The share of the operating deficit was £1,000 (2016/17: surplus of £9,000).The value of the investment in the joint venture at the year end is £42,000 (2016/17: £43,000); £nil (2016/17: £nil) is included in debtors at the year end.
GSA provided services to CDDV LLP of £240,107 (2016/17: £250,051).
The accounts are made up to 31 March annually to coincide with the year end of Historic Environment Scotland.

Glasgow School of Art Development Trust

This was established in 2010 to manage the philanthropic capital appeal for the new Graduate and Research Centre and following the fire at the Mackintosh building, the restoration of the Mackintosh building. It is an independent charitable trust governed by a deed of trust and is registered with OSCR.
Its financial results have been consolidated into the accounts for the year to 31 July 2018
In the current year £13.2m (2016/17: £nil) was donated by the Trust to GSA. This was money received from various pledged debtors and included £5m of matched funding from the Scottish Government which was recognised as a deferred capital grant.

31 Related party transactions

Due to the nature of the School's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a Governor may have an interest. All transactions involving organisations in which a Governor may have an interest are conducted at arm's length and in accordance with the School's financial regulations and normal procurement procedures.
The Board of Governors consider the relationships that the School has with GSA Enterprises Ltd and GSA Students Association to have the characteristics of related parties under the Financial Reporting Standard (FRS) 102. There were no transactions with GSA Enterprises Ltd during the current year.

GSA Student Association (GSASA)

The School entered into a loan agreement with GSASA to assist them following the fire in May 2014 and the subsequent transfer of trading operations to the new premises in the Assembly Building.
Following a review in Summer 2017, £210,000 of the bad debt provision was used to write off £210,000 of the loan balance, reducing it to £60,000.
The loan balance at 31 July 2018 is £60,000 (2017: £270,000). A bad debt provision of £60,000 (2017: £270,000) has been made in respect of this loan to leave a net balance of £nil (2017: £nil).

32 Pension Schemes

The School's employees belong to two principal pension schemes; the Scottish Teachers' Superannuation Scheme (STSS) and a Local Government Pension Scheme administered by the Strathclyde Pension Fund (SPF) which are of the defined benefit type. The cost of the SPF scheme was £1,352,000 (2016/17: £1,309,000) and the cost of the STSS was £1,254,000 (2016/17: £1,185,000). Other pension costs totalled £73,000 (2016/17: £60,000).

Strathclyde Pension Fund (SPF)

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 benefits scheme, covers both past and present employees. A FRS102 valuation of the School's benefit obligations has been estimated by a qualified independent actuary and the assumptions are as at 31 July 2018. The employer contribution rate for the period from 1 August 2017 to 31 July 2018 was 19.3% of pay. The employee contribution rate was variable during 2017-18 depending upon the individual level of remuneration. The range was from 5.5% to 10.4%. There were no outstanding pension contributions at the year end. Principal actuarial assumptions (expressed as weighted averages) at the end of the year were as follows:

Financial assumptions	**2018**	**2017**
Pension increase	**2.40%**	2.50%
Salary increase rate	**3.60%**	4.50%
Discount rate	**2.80%**	2.70%

Mortality assumptions

The average future life expectancies at age 65 used to determine benefit obligations are as follows:

	Male	**Female**
Current pensioners	21.4 years	23.7 years
Future pensioners	23.4 years	25.8 years

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

	2018	**2017**
	£000	**£000**
Equities	**27,260**	27,479
Bonds	**9,371**	5,418
Property	**4,685**	4,257
Cash	**1,278**	1,549
	42,594	38,703

Analysis of the amount shown in the balance sheet	**2018**	**2017**
	£000	**£000**
Fair value of plan assets	**42,594**	38,703
Present value of funded benefit obligations	**(48,614)**	(50,395)
Pension liability	**(6,020)**	(11,692)

Notes to the Financial Statements
Year ended 31 July 2018

Analysis of amounts included in other finance costs	2018	Restated 2017
	£000	**£000**
Service costs	**2,439**	2,194
Employer contributions	**(1,349)**	(1,307)
	1,090	887
Interest on plan assets	**(1,058)**	(807)
Interest cost on defined benefit obligation	**1,388**	1,079
Net interest	**330**	272
Net charge on pension liability to SOCI	**1,420**	1,159

Analysis of amount recognised in Other Comprehensive Income	2018	2017
	£000	**£000**
Actual return less expected return on pension scheme assets	**1,814**	3,754
Experience gains and losses arising on the scheme liabilities	**1,299**	-
Changes in financial assumptions underlying the present value of the scheme liabilities	**3,979**	(3,375)
Actuarial gain recognised in OCI	**7,092**	379

Analysis of movements in present value of the scheme liabilities	2018	2017
	£000	**£000**
Opening defined benefit obligation	**50,395**	44,071
Current service cost	**2,439**	2,194
Interest cost	**1,388**	1,079
Contribution by members	**463**	458
Actuarial losses	**(3,979)**	3,375
Loss on curtailment	**-**	-
Experience gains and losses	**(1,299)**	-
Benefits paid	**(793)**	(782)
Closing defined benefit obligation	**48,614**	50,395

Analysis of movements in fair value of the scheme assets	2018	2017
	£000	**£000**
Opening fair value of employer assets	**38,703**	33,159
Expected return on assets	**1,058**	807
Contributions by members	**463**	458
Contribution by employer	**1,349**	1,307
Actuarial gains	**1,814**	3,754
Benefits paid	**(793)**	(782)
Closing fair value of employer assets	**42,594**	38,703

The School expects to contribute approximately £1,404k to the Strathclyde Pension Fund in the next year.
The cumulative actuarial gain at 31 July 2018 was £1,706k (2016/17: loss of £5,386k).

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the SPF scheme liabilities are set out below:

Change in assumptions at 31 July 2018	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12%	5,656
0.5% increase in the Salary Increase Rate	2%	1,159
0.5% increase in the Pension Increase Rate	9%	4,397

Scottish Teachers' Superannuation Scheme (STSS)

The scheme 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 for the purpose of determining contribution rates. Under the definitions set out in the Financial Reporting Standard 102 the STSS is a multi-employer pension scheme. The School is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly the School has accounted for its contributions as if it were a defined contribution scheme.
The pension cost is assessed every five years in accordance with the advice of the Government Actuary.
The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:-

Valuation date	31 March 2010
Valuation method	Prospective benefits
Investment return per annum	4.6%
Rate of real earnings growth	1.5%
Present value of liabilities at date of valuation	£ 24.37 million
Pension increases per annum	2.8%

The employer contribution rate for the period from 1 August 2017 to 31 July 2018 was 17.2% (2016/17: 17.2%) of pay.
The employee contribution rate was 6.4% during 2017/18 (2016/17: 6.4%).
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.
There were no outstanding pension contributions at the year end.

33 Prior year adjustment

In the 2016-17 financial statements, £887k of the FRS102 non-cash pension adjustment in respect of the Strathclyde Pension Scheme was included in interest and other finance costs when it should have been included within staff costs. The comparative for 2016-17 has been updated to show this reallocation of £887k from interest and other finance costs to staff costs. This has no impact on the previously stated total expenditure, surplus / deficit of the Group / School or the net asset as at 31 July 2017.

34 Bursary and Other Student Support Funds

	Hardship	Childcare	2017 - 2018 Total	2016 - 2017 Total
	£000	£000	£000	£000
Balance brought forward at 1 August 2017	-	-	-	-
Funds received in year	**161**	**27**	**188**	145
Expenditure	**(161)**	**(27)**	**(188)**	(145)
Balance carried forward at 31 July 2018	**-**	**-**	**-**	-

Grants are available solely for students; the School acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income

35 Contingent asset

The Mackintosh building is covered by an Owner Controlled Insurance Policy with the interest of the School, Main Contractors and Sub-Contractors. Following the fire in June 2018, insurance income will be received. However at this point the value and method of receipt of this income has still to be agreed..