THE GLASGOW SCHOOL OF ART

Annual Report and Financial Statements

For the year ended 31 July 2020

Contents

ANNUAL REPORT AND FINANCIAL STATEMENTS

Introduction

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 July 2020. The financial statements consolidate the results of the Group, comprising Glasgow School of Art, The Glasgow School of Art Development Trust, GS of A Singapore Pte Ltd and GSA's joint venture, The Centre for Digital Documentation and Visualisation LLP (CDDV).

Glasgow School of Art is a Company Limited by Guarantee (Company registration number SC002271) and is a registered charity in Scotland (Registered number SCO12490); having its registered office at 167 Renfrew Street, Glasgow G3 6RQ

Copies of these financial statements can be obtained by contacting the registered office.

Office bearers

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 (from 1 January 2020)
	Professor Nora Kearney RGN, MSc (from 4 June 2019 to 1 January 2020)
Vice Chair	Mr Habib Motani (from 1 November 2020)
	Ms Lesley Thomson
	Professor Nora Kearney RGN, MSc (from 1 January 2020 to 3 September 2020)
Director	Ms Penny Macbeth BA(Hons), MA, FHEA (from 25 May 2020)
	Professor Irene McAra-McWilliam OBE (from 26 November 2018 to 24 May 2020)
Deputy Director (Academic)	Professor Ken Neil MA(Hons), MFA, PhD, PGCert, FHEA, FRSA (to 23 January 2020)
Director of Finance	Mr Andrew Menzies (from 15 June 2020)
Director of Finance and Resources	Ms Jacqueline Mackenzie BA, CA (from 1 July 2019 to 14 June 2020)
	Mr Alastair Milloy BAcc, FCCA (until 31 August 2019)
Registrar and Secretary	Dr Craig Williamson LLB (Hons), PG Cert, MSc, PhD

Advisors

Solicitors	Thorntons Law LLP Whitehall House, 33 Yeaman Shore, Dundee DD1 4BJ
External Auditor	Azets Audit Services 25 Bothwell St, Glasgow, G2 6NL
Internal Auditor	MHA Henderson Loggie The Vision Building, 20 Greenmarket, Dundee, DD1 4QB
Principal Bankers	Bank of Scotland plc 235 Sauchiehall Street, Glasgow, G2 3EY

Strategic report

Background

Past, present and future

Glasgow School of Art (GSA) was founded in 1845 as one of the first Government Schools of Design as a centre of creativity promoting good design for the manufacturing industries. GSA's role has continually evolved and been redefined to reflect the needs of the communities that it is part of, embracing in the late 19th century fine art and architecture education and today, digital technology. Then, as now, our purpose remains the same - to contribute to a better world through creative education and research.

While the campus has grown and moved over its lifetime, Glasgow School of Art remains primarily located in the centre of the city. Since 2012, GSA has delivered years 3 and 4 of its Bachelor of Arts (Hons) Programmes in Communication Design and Interior Design in Singapore; and in 2017, GSA further developed its existing presence in the Scottish Highlands, when it opened its Highland and Islands Creative Campus, a research and postgraduate teaching centre for international excellence in creativity and innovation, on the Altyre Estate near Forres.

Glasgow School of Art is a diverse and international community and through the success of our graduates, the quality of our teaching and research and our heritage, we enjoy both global significance and influence as a leading centre for studio-based learning and research. Alongside our global position we continue to contribute to Glasgow's position as one of the UK's most successful city-economies. Central to this contribution are our students, staff – creative practitioners and academics of international and national significance – and our graduates. It is in this context that Glasgow School of Art rose to rank eighth in the world for art and design in the QS World University Rankings, a position it has sustained in 2020.

Institutional structure and portfolio

Glasgow School of Art's teaching and research is structured around its five academic schools:

- The Mackintosh School of Architecture
- The School of Design
- The School of Fine Art
- The School of Simulation and Visualisation
- The Innovation School.

Strategic and operational plans

Given the changed context, following the fire of 2018, GSA's addressed its immediate priorities through a focused Operational Plan, covering key areas around student and staff experience and wellbeing, estates developments and management. With new leadership in place, Glasgow School of Art is now committed to the development of a new Strategic Plan, to be in place for the academic session 2021/22.

Overview of 2019/20

Academic year 2019/20, saw GSA continue to be an institution of choice for both undergraduate and postgraduate applicants over the year, receiving many more undergraduate applications than we have funded places and saw an increase in both its total undergraduate and postgraduate population.

Our Estate has inevitably seen major change in recent times. This included the completion of the alteration and refurbishment of the Stow Building, to form studio, technical support, workshop and ancillary spaces for the School of Fine Art. The building was used, first, for our 2019 Degree Show prior to its full academic occupation from the start of the 2019/20 session. Glasgow School of Art remains committed of the rebuilding of its iconic Mackintosh Building, returning it to its central role in the creative life of our students, staff, city and nation. While, most recently, on-site works have continued to focus on stabilising the remaining structure and clearing debris, our attention has now turned to the engagement with a range of stakeholders and our communities in order to allow us, in the next year, to bring forward the plans and the strategic business case for its rebuilding.

In March 2020, in response to the global coronavirus pandemic, the decision was taken to close both campuses, implementing arrangements to ensure that GSA could continue to operate. Staff began to work remotely, facilitating students to progress or complete their studies and, in addition, GSA successfully launched an online Graduate Showcase in May 2020. In parallel staff endeavoured to prepare for the new academic session, safe campus being the core value of how GSA undertook these preparations. The principle of safe campus was made real as part of an on-going and evolving process, with decisions being informed by the Academic Continuity Group, ongoing consultation with the recognised Trade Unions and engagement with the student body via the

Student President. These were the mechanisms by which decisions were made about having no face to face teaching, and about a significant investment in digital technology and new software applications, to ensure that the delivery of the digital component of the curriculum was available to all students. GSA embarked upon a large-scale training and digital skills programme for academic staff to support the hybrid-flexi model of delivery, which combines digital delivery of taught material while allowing students access to campus facilities, such as library, technical workshops and studio spaces, on a strictly timetabled basis. In doing so, GSA responded to changing circumstances, developed protocols in relation to Government and public health guidance and acknowledged both the ambitions and the understandable anxieties of staff and students.

The campus closure and the early departure of students adversely impacted our income in 2019/20. In addition, there were additional costs to support remote working and in preparing for the approaching academic year, both in terms of creating a safe campus for returning staff and students and to support the need for digital learning. While there was some relief in the form of income from the UK Government's Coronavirus Job Retention Scheme, that was insufficient to entirely mitigate the impact on our underlying budgeted operating surplus. The impact of the COVID-19 pandemic has also had an impact on the actuarial assessment of our participation in the Strathclyde pension. In 2019/20, the net liability for that scheme has grown by £10.7m to £23.3m. The recent volatility in financial markets has manifested itself in a stagnation in the value of the underlying assets, where traditionally growth has been experienced; and we have seen an unusually high growth on the valuation of the scheme's liabilities, driven primarily by a reduction in the scheme's discount rate, as a result of the prevailing low bond yields.

Future prospects

The coronavirus pandemic created uncertainty over student numbers for the coming academic session. In the event, while there will be a shortfall in student numbers, the scale of that shortfall has been at the lower end of our estimates. It is likely, however, that there will be some reduction in income for the coming year. Recognising that, we have identified opportunities to flex expenditure to mitigate such an impact. We will closely monitor income during this year to ensure that we continue to respond to emerging pressures through cost containment.

We are confident that beyond 2020/21, we will, once again capitalise on our position as Scotland's specialist university-level institution for the visual creative disciplines; on our global significance and influence as a leading European centre for studio-based learning and research; on the success of our graduates; on the quality of our teaching and research; and on our heritage to continue, to be an institution of choice, so resuming the trend in growth of our undergraduate and postgraduate student populations.

Sustainability

The Board monitors Glasgow School of Art's financial sustainability by reference to the generation of underlying operating surpluses and of net cash inflow from operating activities, which, in turn, provide the resources for investment in our future.

GSA's last strategic plan set the challenging objective of an annual operating surplus of 5% of income, to be achieved through our student number targets across all academic schools, the growth and 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. The turbulence of recent years has meant that objective has not been met. The strategic plan that is currently under development, will revisit that target and through the associated financial and estates plans will seek to link that target explicitly to our investment plans.

GSA recognises that the greatest risk to its financial sustainability is one driven by the risk that we fail to achieve our planned student numbers and therefore income targets, impacting on our financial performance. This risk is almost inherent within our sector and its source is diverse, including risks around Scottish Funding Council funding, the uncapping of numbers of students loan-funded to attend English universities, the demography of a reduced number of 18 year-olds in the UK population, the impact of government immigration policy on our recruitment of overseas students to Scotland and acute competition in overseas markets. We have sought to mitigate these risks by ensuring that our student offering remains attractive, primarily by ensuring that our academic quality remains high and through targeted investment to address issues such as digital inclusion. Operationally we have sought to increase our focus on all aspects of student recruitment and enrolment, including drawing on sector intelligence and though a digital enrolment process.

The global COVID-19 pandemic has made the financial risks all the more acute. While we did see an immediate reduction in income, that impact was, in large part, offset by our ability to access the support provided by the UK Government's Job retention Scheme, although we have borne some short-term expenditure related to establishing remote working and in preparing our campus for the safe return of staff and students. In response to the uncertainty over student enrolments for the coming session, our primary response has been to plan and implement a response to secure academic continuity through a formal workstream to plan and deliver short-term academic scenarios for 2020/21 and ensuring that physical, technical and professional support will be available to ensure our ability to deliver the curriculum. In addition, we have modelled the financial impacts of a range of scenarios and have formulated our likely responses to those. As reported above, our experience at the start of the new academic year is that the scale of that shortfall in student numbers will not be as large as might have been feared and while there will be some reduction in tuition fee income and in residential and commercial income for the coming year, our plans to manage expenditure appear sufficient to meet those shortfalls.

The UK's decision to leave the European Union, has introduced a range of risks, ranging from the risk to income from EU students and EU Research; through human capital risks associated with EU nationals employed by Glasgow School of Art and financial risks arising from economic uncertainty and currency fluctuation; to risks arising from regulatory compliance (trade regulations, taxation, procurement, Health & Safety). The School has sought to manage and mitigate those risks through close monitoring of all available sources of information by the formation of a BREXIT Working Group.

Glasgow School of Art is a Small Specialist Institution (SSI) which has led to additional funding to compensate for the associated additional costs. Additionally, GSA is fortunate to have significant cash reserves, relative to its size. While these are earmarked to support estates development, in the event of an adverse financial event, these would be more than sufficient to support sustainability over the medium term.

Principal risks and uncertainties

Key among the risks Glasgow School of Art faces, is its ability to recruit sufficient students to ensure its financial sustainability. As discussed in the preceding section, the source of that risk is diverse, including issues of competition, demography, government policy and public funding. Since GSA has little influence over those external factors, it has focussed its mitigation efforts on seeking to ensure that the quality of its programmes underpins the attractiveness of its offering. By doing so, GSA has been able to maintain a strong stream of applications, and so maintain a trend of increasing student numbers. It is conscious, however, that there is work required to improve perceptions of the student experience, as judged by measures such as the National Student Survey, and has recently implemented plans to reverse recent adverse trends.

Glasgow School of Art's physical environment can also play a part in the student experience and the attractiveness of an institution to potential students, as well as playing a part in achieving value for money. The impact of the fires at GSA have inevitably had an impact on our estate over recent years, heightening the risks associated with the physical environment. Looking forward, in tandem with the development of a new Strategic Plan, we will develop an integrated and coherent Estates Strategy. Building on the estates capacity and utility delivered this year by bringing the recently acquired and refurbished Stow Building into use, the revised strategy will define our estates need, and so inform the nature of the development of the current core estate and our plans for the redevelopment of the iconic Mackintosh Building. Effective utilisation of the estate and the enhancement of the student experience will sit at the heart of that strategy.

The unprecedented circumstances of the COVID-19 pandemic has, both, made some existing risks more acute and added new and specific risks that might never before have been imagined. As described above, we have modelled the financial impacts of a range of scenarios and have formulated mitigating plans, including developing mechanisms to manage expenditure more responsively. Responding to the previously unforeseen consequences of the pandemic, we have moved swiftly to support remote working and remote study and have invested in measures to make our campus safe for staff and students.

Key performance indicators

The Board is presented annually with Key Performance Indicators covering a series of areas reflective of targets set in our last strategic plan, the principal indicators being set out in the table below.

KPI measures	Actual 2015/16	Actual 2016/17	Actual 2017/18	Actual 2018/19	Actual 2019/20
% School Income non SFC	59%	65%	63%	72%	68%
Total Research & KTP income	£4.1m	£3.9m	£2.8m	£3.2m	£2.7m
Value of (non-EU) overseas student income	£5.5m	£6.4m	£7.4m	£9.0m	£10.5m
% PG students*	26%	24%	24%	30%	30%
% Positive student feedback NSS	74%	71%	67%	69%	58%
% Graduates in education/working **	93%	93%	92%	-	-
Number of Students from MD20*** classification	30	38	27	43	47

* Includes Diploma students   ** The transition to surveying students 15 months after graduation means that the data for 2018/19 and 2019/20 is not yet available.   *** Areas of Multiple Deprivation

Strategic report

Duty to promote the success of the company

The directors have given careful consideration to the requirements of Section 172 of the Companies Act 2006 to act in good faith to promote the success of the company for the benefit of its members as a whole and in doing so have regard, amongst other matters, to:

- The likely consequences of any decision in the long term;

Academic session 2020/21 sees the start of GSA's institutional strategic planning process, allowing us to shape our ambitions for the future. It is intended that the process will be values-led, collaborative and inclusive. Our plans will have our academic endeavour, at their centre, emphasising excellence in teaching and research, but will be founded on enabling strategies promoting the vigour of our staff, the sustainability of our finances and the effectiveness of our estates and infrastructure.

- The interests of the company's employees;

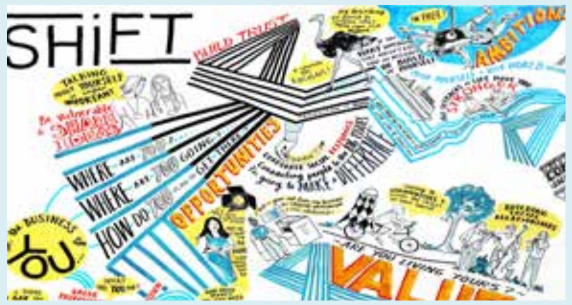
The coronavirus outbreak and the closure of the campus in March 2020 created an urgent need to develop effective engagement mechanisms that met the needs of a remote and shifting landscape, and which focussed on informing and educating staff whilst fostering a culture of inclusivity. To complement already established central communications channels, frameworks and resources were developed that facilitated an individual-based approach to balancing the needs of staff with those of the institution.

The development of a new institutional Strategic Plan, will allow us to build in many of the approaches developed by staff over recent months, integrating the themes that emerged from the most recent staff survey and allowing us to develop a meaningful engagement plan and people strategy for GSA. Partnership working with the recognised Trade Unions has been, and will continue to be, maintained throughout, building employee engagement, sourcing information on practical issues and enabling employee confidence that their needs are being listened to and acted upon. This has provided insight into both workforce and individual needs and concerns and is recognised as an important aspect of our planning process moving forward.

- The need to foster the company's business relationships with suppliers, customers and others;

Students lie at the heart of Glasgow School of Art. The Student Voice initiative encompasses a range of projects developed to enhance our approach to student engagement and partnership working. To support addressing outcomes and feedback from the National Student Survey and GSA Students' Association (GSASA), the initiative was designed to connect and communicate Student Representation and engagement activity at GSA based on a new approach that exists to inform and empower the student body to work together and to take action

Over 2019/20, to support the development of GSA's global and domestic **alumni** networks, deliver increased engagement between GSA's academic schools and targeted alumni cohorts, and ensure structured and supported alumni involvement in strategically aligned programmes, particularly those associated with student experience and employability, we developed the *Creative Network* initiative. Our creative network represents generations of alumni across all our disciplines who are influential within the creative industries and the importantly the wider creative and knowledge economy – emphasising the role of creativity and creative people working across discipline boundaries. Our *Creative Network* connects GSA's creative community both locally and globally.



SHIFT was inspired by the observation that some of the wider provision which was focused on budding entrepreneurs seeking to grow companies, exploit IP and scale up, did not necessarily fit the realities of many creative start-ups and freelancers, or the business models in the sector.

SHIFT was designed to address this deficit as a progressive programme facilitated by creative business and sector leaders from areas such as design innovation, performing and production arts, screen, digital media, curation and creative project management. It is geared to help prepare creative graduates for the world of work in the sector. This initiative continues into 2020, currently being delivered online.

Glasgow School of Art recognises the part it has to play in delivering the **Scottish Government** objectives for education, research and innovation. GSA also contributes to the national outcomes in the Scottish Government's National Performance framework which describe the kind of Scotland it aims to create. While GSA aims to make a very broad contribution to a range of those outcomes, it is likely that our engagement in that framework is greatest in relation to the outcomes for Education, Culture and International.

On many of our courses, we devise 'live' **industry** briefs for our students. We work with a variety of clients on these projects where there is an academic benefit and learning opportunity for the students. Student projects are directed by a relevant academic, and clients are involved in the briefing and review sessions, giving the students the chance to get direct feedback. As well as providing a range of inspirational and unexpected approaches to a live challenge, projects often lead to the implementation or further development of ideas in collaboration with the client.

Targeted business support for Creative Businesses in Argyle and Bute

Research undertaken by GSA's Innovation School explored how a network of micro clusters could be used to deliver bespoke business development support.

Working with Culture, Heritage & Arts Assembly Argyll & Isles (CHARTS), Dr Michael Pierre Johnson of GSA's Innovation School, identified how a micro-cluster network could help contribute to local creative economic sustainability. Through identifying a network of six interconnected creative business communities, knowledge sharing and peer-to-peer networking will now be delivered and business and market development support provided. This important support comes at a time when creative businesses are facing particularly significant challenges posed by the Covid-19 pandemic.

"We were invited to help identify key challenges for the sector in the region and what collaborative opportunities could help address them," explains Dr Johnson, a Research Fellow in the Creative Economy at GSA: "Partnering with CHARTS we were able to devise an approach that could help deliver bespoke business support for creative businesses. Now thanks to the financial input from Creative Scotland's Covid-19 funds it will be possible to put collaborative proposals that emerge into practice."

- The impact of the company's operations on the community and the environment,

Glasgow School of Art seeks to be part of Glasgow's social, cultural and economic life, contributes to the life and vibrancy of the city and the its reputation as a creative and cultural capital. GSA maintains regular formal and informal contact with the City Council, and a rage of local agencies involved in promotion of local economic growth and for the delivery cultural reprices and activities across the city. Glasgow School of Art has an active programme of exhibitions on our own premises and across a range of city-wide venues. The heritage of our institution brings with it local, national and international engagement in the work of Charles Rennie Mackintosh and in our plans for the restoration of the building he designed, and which bears his name.

Our civic engagement is also rooted in the relationship with our closest communities. Glasgow School of Art's recently appointed Community Engagement Officer routinely attends meeting of the Community Councils in Garnethill, Blythswood and Broomielaw, as well as working with a range of local community groups. Our dedicated Community Engagement Officer aims to support the development of better links with the local community in Garnethill. This engagement has resulted in better ways to engage with local residents and groups including the joint hosting of community events. GSA is also working in partnership with Renfrewshire Council to develop Castlehead High School in Paisley as a Creative Academy. While our presence on our Altyre campus in Forres is more recent, here, too, we have sought to establish roots in the local community. An example of that is described in the case study of how our Innovation School collaborated on a project aimed at understanding how care homes might connect into their communities.

'make rights real'

In August 2019, Anderson's care home in Elgin partnered with Glasgow School of Art as part of a wider initiative, funded by the Life Changes Trust, to 'make rights real' in care homes. In collaboration with researchers based at the GSA's Innovation School in Altyre, the project at Anderson's aims to support more community connections by exploring the role of music in care homes. Using expertise in design innovation, the researchers collected stories of care home life and co-designed a programme of music activity in partnership with residents, staff and volunteers.

A wider ambition of the project is to support a shift in public perceptions around care homes hoping to communicate the inner life of care homes and move beyond existing perceptions that people might have about care home life.

Anderson's Manager Kathy McGrath-Gunn said "It's been a great venture for Anderson's to be involved and work along with the GSA in the 'making rights real' project. Their expertise in design innovation has brought a new perspective exploring how music and song within a care home setting can create further openings for care homes to become community musical centres".

- The desirability of the company maintaining a reputation for high standards of business conduct,

After student tuition fees, the Scottish Funding Council is the largest source of income for Glasgow School of Art. That funding is dependent upon an Outcome Agreement, which is negotiated individually with each institution. It is framed to ensure delivery of targeted outcomes in specific areas, including, notably, widening access to increase the number of students from deprived areas of Scotland entering higher education; new pathways for increased numbers of students to progress from Scottish further education colleges to Glasgow School of Art; increasing skills training in various topics; increasing various aspects of equality and diversity in higher education; increasing Scottish HEI's global research competitiveness; increasing collaboration between higher education institutions and industry in Scotland; and increasing higher education's contributions to environmental sustainability. In recent years, the Scottish Government have sought 'intensification' of the Outcome Agreement process to drive more ambitious target-setting and accelerated delivery of priority objectives. The Agreements negotiated between GSA and the Scottish Funding Council over the last three years have responded constructively to the 'intensification' agenda and seek to advance our positive approach to delivering the Scottish Government's objectives in education, research and innovation.

Financial review

Financial objectives

The financial sustainability of Glasgow School of Art is as important as its academic sustainability and seeks to move towards an annual Core Operating Surplus of 5% of income, a financial objective designed to be achieved through our student number targets across all academic schools, the growth and 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.

Financial performance

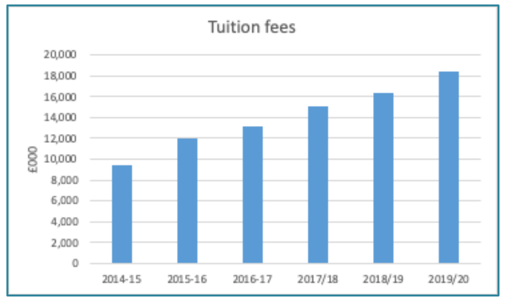
This year, the Group reported a surplus of £6.6m (2019: deficit £2.0m) and a total comprehensive deficit of £2.1m (2019: deficit £6.4m). These results include items of an exceptional and non-recurring nature, including income and expenditure in relation to the 2018 Mackintosh fire; and the financial impacts of the adverse pension valuation. The following table seeks to show underlying performance for the year by adjusting for the impacts of these items on the total comprehensive income for the year:

	Total comprehensive income £000
As reported in the financial statements	**(2,144)**
Pension related	
FRS 102 pension cost adjustment – to staff costs	1,222
FRS 102 pension cost adjustment – to finance costs	282
Actuarial loss in respect of pension schemes	9,227
Insurance related	
Insurance income - interim payments	(12,008)
Insurance income –accrual of estimated increase in consequential losses in respect of the Reid Building	(3,505)
Mackintosh Building debris clearance and stabilisation work	4,295
Asset impairment from revised estimate of Reid Building reinstatement	3,505
Revaluation of Heritage assets	(486)
Underlying performance	**388**

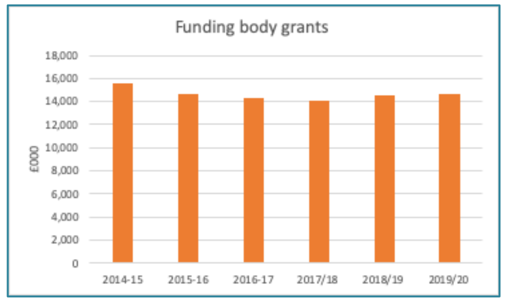
Income

While, in 2019/20, the Group saw total income grow by £4.2m (8%) to £54.7m, excluding the exceptional movements associated with insurance and development trust income, there was, in fact, underlying growth of £2.2m (6%) to £39.2m, driven, primarily by growth in tuition fee income.

Continuing a trend of steady growth, tuition fee income grew by £2.0m (12.5%) over the year to £18.3m (2019: £16.3m). That is reflective of GSA's position as an institution of choice.



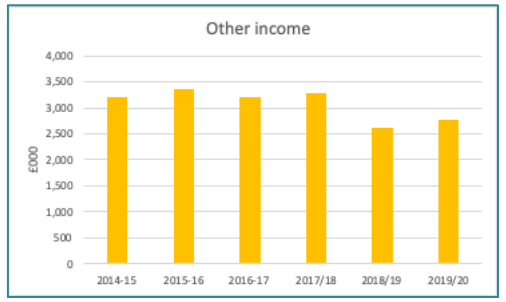
2019/20 saw a £0.7m increase in the fees from home and EU students, the growth being associated with a planned growth in postgraduate students, the undergraduate fees for this category being largely unchanged, given the cap on home and EU undergraduate student numbers. For the same period, there was an increase of international fee income of £1.5m arising from planned growth in both undergraduate and postgraduate students. Our strategy has seen us continue to grow applications from China where we have a physical presence, while we continue to invest in a number of other key overseas markets in order to mitigate the risk of being overly dependent on any single market. In addition, we successfully completed a ninth cycle of recruitment to our undergraduate programme in Singapore. The growth in fee income was partially offset by a £0.2m decrease in fee income from students attending from England, Wales and Northern Ireland.



Funding body grants remain virtually flat at £14.6m (2018: £14.6m), reflecting little movement in the number of funded places.

This year saw income from research grants, knowledge exchange projects and consultancy fall by £0.5m (-14.8%) to £2.7m (2018: £3.2m). There was some contraction in research activity following the closure of the campus precipitated by the national COVID-19 lockdown in March of 2020, stifling the nascent upward trend seen last year. This was reflected in the modest contractions in Research Council income (-£0.1m), in income in industry funded research (-£0.5m) and in research income from other sources (£0.3m). Despite the dampening effects of COVID, there was growth in income from government contracts (+£0.3m) and charities (+£0.1m).

Other income has increased by £0.4m (15%) to £3.0m (2019: £2.6m), reflecting £0.8m of claims made from the Coronavirus Job Retention Scheme, offsetting the £0.4m loss of revenue suffered in residences and commercial activity following the closure of the campus precipitated by the national COVID-19 lockdown.

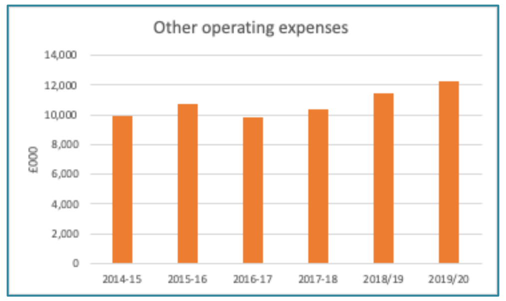


There was significant exceptional income during the year, the total of £15.5m (2019: £14.7m) reflecting £12m interim insurance payments in respect of the claim for the Mackintosh building and £3.5m accrued to reflect the increase in cost associated with the insured consequential losses in adjacent buildings (equal and opposite to the impairment charge, below).

Expenditure

While, in 2019/20, the Group saw total expenditure fall by £4.8m (9%) to £47.9m, excluding the exceptional movements associated with the insurance related campus redevelopment and asset impairment, there was, in fact, an underlying increase of £1.3m (3%), primarily driven by increases in operating expenditure and depreciation.

At £24.8m (2018: £25.7m), total staff costs showed a 3.5% reduction compared to last year, reflecting constraint on salaries arising from our in-year efforts to contain staff costs in the face of a shortfall in relation to ambitious student recruitment targets and because of lower redundancy costs in the current year.



Other operating expenses increased by £1.0m (9%) to £12.4m (2019: £11.4m), that above-inflation rise primarily reflecting additional costs arising from the additional costs associated with implementing digital learning upon the campuses' closure and with the preparations for their reopening.

At £0.3m (2019: £0.3m), interest and other finance costs were broadly consistent with the previous year; while depreciation rose by £0.6m (31%) to £2.6m (2019: £2.0m) reflecting the first full year of deprecation on the recently acquired and refurbished Stow building.

Exceptional expenditure in the year related to campus redevelopment, totalling £4.3m (2019: £13.4m) and an additional impairment charge of £3.5m reflecting an increase in the estimated cost of the reinstatement works for the Reid Building following the 2018 Mackintosh fire (equal and opposite to the income accrual, above). Other comprehensive income expenditure for the year included a charge reflecting a £9.2m actuarial loss on the pension scheme and £0.5m increase in the value of our heritage assets.

Financial position

At the end of the year, the Group had net assets of £35.4m (2019: £37.5m), a decrease of £2.1m on the previous year.

The £5.0m net decrease in tangible fixed assets to £72.3m (2019: £77.3m) reflects £1.1m of capital expenditure during the current year, offset by deprecation of £2.6m and the further impairment of the Reid, Bourdon and Assembly Buildings from £2m to £5.5m, reflecting a better assessment of the extent and complexity of the reinstatement work required. In addition, a more recent valuation of heritage assets is reflected in the £0.5m increase in their value to £13.3m (2019: £12.8m).

The net £0.1m reduction in investment assets to £4.7m (2019: £4.8m) is largely associated with the performance of financial markets over the period.

Debtors due in over one year remained at £5m, reflecting the £5m pledge made to the GSA Development Trust by the UK Government in the aftermath of the Mackintosh fire, which is currently held by the Scottish Government.

Over the period, net current assets grew by £11.5m to £30.3m (2019: £18.8m):

- A net increase of £3.9m in trade and other receivables to £9.1m (2019: £5.2m) reflects a £3.5m increase in prepayments and accrued income associated with the increased estimate of the likely insurance settlement for the reinstatement of the Reid Building, £0.4m increase in research grants receivables and trade receivables due at the year-end and a £0.3m increase in student debtors.
- Together cash and current asset investments have grown by £6.4m to £24.2m (2019: £17.8m), largely reflective of the receipt of the £12m interim insurance payment, net of the in-year expenditure.
- Creditors due within one year fell by £1.1m to £8.4m (2019: £9.5m), the material contributors being a £1.0m reduction in other accruals and deferred income and a £0.2m reduction in year-end trade creditors, offset by £0.4m growth in research contract accruals.

Creditors falling due in more than one year comprise loans and deferred capital grants.

- The outstanding balance on loans has fallen by £0.2m to £1.5m (2019: £1.7m), regular repayments having been made as they fall due.
- At the year-end, deferred capital grants greater than one year stand at £59.7m (2019: £61.0m), those being mainly associated with historic capital grants from the Scottish Funding Council, including that for the construction of the Reid Building. The balance has reduced by £1.3m reflecting the release of deferred grant to match the depreciation on fixed assets, so funded.

The actuarial review of GSA's participation in the Strathclyde Pension Fund at 31 July 2020, for accounting purposes, signalled an increase in GSA's net liability of £10.8m to £23.3m (2019: £12.5m). The growth in the net liability can be attributed to a lack of growth in the Scheme's assets, which grew by only £0.2m over the year to £47.2m; while the scheme's labilities grew by £11.0m to £70.5m, primarily driven by changes in financial assumptions, of which the most material was the change from 2.1% pa to 1.4% pa in the rate at which the scheme's liabilities were discounted, mirroring the falling the yields on high quality sterling corporate bonds, taking into account the term of the relevant pension scheme's liabilities, upon which that discount rate is required to be founded.

Movement on reserves

The Group's reserves fell by £2.1m to £35.4m (2019: £37.5m) during the year. Disaggregating that movement:

- Endowment reserves fell by £0.1m to £4.7m (2019: £4.8m) during the year with the fall being almost entirely attributable to a decrease in the market value of endowment investments.
- Restricted reserves, at £8.4m, were unchanged during the year.
- The income and expenditure reserve fell by £2.4m to £7.2m (2019: £9.7m) during the year. That fall mainly reflecting the Group's £6.6m surplus for the year (net of £0.1m endowment comprehensive income) and the £9.2m actuarial loss arising from the Strathclyde Pension Fund valuation.
- The revaluation reserve grew by £0.5m to £15.1m (2019: £14.6m) reflecting an increase in the value of heritage assets.

Treasury management, cashflow and liquidity

The financing, liquidity and exposure to financial risk is overseen by the Board though the Audit & Risk Committee and the Business & Estates Committee. Each year, forecasts are prepared which consider the cash position, given the assumed operational movements and planned investment in fixed assets and working capital. This enables the Business & Estates Committee to consider any future borrowing requirements in a timely manner.

Non-endowment cash balances are held in interest-bearing deposits with financial institutions. These balances can be invested in major clearing banks. At 31 July 2020, our cash and deposit balances sat at £24.2m, an increase of £6.4m on the previous year-end (2019: £17.8m), largely due to the insurance receipt of £12m, less the associated spend of £4.5m. Because, currently, short-term rates are more attractive than longer-term rates, our deposits are held as short-term deposits, so, unlike last year, show on the Balance Sheet as entirely within cash and cash equivalents.

The return on Endowment Asset Investments comprising dividend and bank interest was 2.06%, compared with 2.35% last year. The market value of the total Endowment assets held fell from £4.8m to £4.7m. The Business and Estates Committee, overseas execution of investment strategies and monitors performance.

Financial risk management

Foreign Currency Risk – Glasgow School of Art does not enter into any significant foreign currency transactions. The Governors therefore consider that there is no material exposure to 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 - Glasgow School of Art 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 our needs.

Cash Flow Risk - Following receipt of the insurance settlement monies and funding received from the GSA Development Trust, there is currently £24m on short-term deposit with the Bank of Scotland. While interest rates remain low and, currently, short-term rates are more attractive than long-term rates, the entirety of the £24m is invested in short-term bank deposits.

Creditor payment policy

Glasgow School of Art's policy is 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 2020 the School had an average of 12 days (2019: 13 days) purchases outstanding in trade creditors. With regard to the late payment of Commercial Debt s (Interest) Act 1998 there are no matters to disclose.

Muriel Gray
Chair of the Board of Governors
23 November 2020

Directors' report

Board membership

The following persons served as Board members during the year to 31 July 2020, and up to the date of approval of these financial statements.

Governors Ex Officiis

Ms Penny Macbeth BA(Hons), MA, FHEA	Director of the School (from 25 May 2020)
Professor Irene McAra-McWilliam OBE	Director of the School (until 24 May 2020)
Professor Ken Neil MA(Hons) MFA PhD PGCert FHEA FRSA	Deputy Director (Academic) of the School (until 23 January 2020)
Mr Alessandro Marini	President of the Students' Association (from 1 August 2019)

Appointed by the Board of Governors

Ms Kristen Bennie BA	Independent Governor (from 1 November 2019)
Ms Ann Faulds BA, LLB, Dip. L.P.	Independent Governor (from 1 November 2019)
Professor John French BSc, PhD, MIOD	Independent Governor (from 1 November 2019)
Ms Muriel Gray BA(Hons), FRSE	Independent Governor
Dr Martin Herbert DipQS, MSc, PhD, MRICS	Independent Governor (from 1 November 2019)
Professor Nora Kearney RGN, MSc	Independent Governor (until 3 September 2020)
Dr Kate Lampitt Adey	Independent Governor
Mr Michael McAuley LLB(Hons)	Independent Governor
Mr Habib Motani	Independent Governor
Mr Harry Rich LLB(Hons), FRSA	Independent Governor
Mr Kenneth Ross OBE, DL	Independent Governor (until 30 June 2020)
Mr James Sanderson BA(Hons), Dip Arch, RIBA, RIAS	Independent Governor
Mr Andrew Sutherland BAcc, CA, MCICM	Independent Governor
Ms Lesley Thomson	Independent Governor
Mr Tsz Wu BA (Hons), MDes	Independent Governor (from 1 November 2019)
Professor Alison Yarrington BA(Hons) PhD FRSE FSA FRSA	Independent Governor (until 6 February 2020)

Elected Members

Professor Johnny Rodger BA, PhD, FHEA, PG Cert (L&T), PG Cert (Sup)	Appointed by the Academic Council (until 30 November 2019)
Ms Barbara Ridley	Appointed by the Academic Council (from 26 February 2020)
Professor Sarah Smith BA(Hons), MA, PhD	Elected by the Academic Staff
Ms Polly Christie BA (Hons), MA	Elected by the Professional Support Staff (on Leave of Absence from 14 March 2020 – October 2020)

Secretary to the Board of Governors

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

Environmental sustainability

The GSA community is fully committed to sustainable values. Our strategy and actions are based on an aim of reducing the environmental, social and ethical impacts of Glasgow School of Art, with specific objectives of more efficient management of our estate and full awareness of sustainability values and issues across the curriculum. The GSA community is encouraged to reduce energy, water and resource use, and support Scotland's future artists, designers and architects to help them react to, work with and communicate climate change in a positive and creative way.

In 2018/19, during the refurbishment of the Stow Building, GSA employed Salix loan funding to make significant environmental improvements to the fabric and running costs of a building little-altered from the 1930s. Ongoing plans for improvements to that building will seek to maintain a trend of enhanced environmental performance generally through more efficient mechanical, electrical, public health and ICT installations; and will serve as a blueprint for future estates development.

UK Energy use and greenhouse gas emissions

As required by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the School must disclose its UK annual energy use and greenhouse gas emissions:

Actual 2019/20	**UK use**	**Associated greenhouse gas emissions**
Electricity	3,255,048 kWh	903 tCO_2e
Gas	6,510,656 kWh	1,197 tCO_2e
Vehicles	4,699 km	1 tCO_2e
Transport	1,795,951 passenger km	316 tCO_2e
Waste	242 t	12 tCO_2e
Water	35,798 m^3	19 tCO_2e
Total associated greenhouse gas emissions		**2,448 tCO_2e**

Intensity ratio: tonnes CO_2e per m^2 (62,595m^2Gross Internal Area)	0.039 tCO_2e/m^2

Energy efficiency action taken:

- Improved procurement, including embedding environmental issues in the procurement supplier selection and contract award criteria;
- Aim for improved carbon efficiency when undertaking estate refurbishment and redevelopment projects;
- Invest in the refurbishment of buildings to improve their energy efficiency;
- Improve energy monitoring and reporting across the estate;
- Minimising environmental impacts by reducing, recycling and reusing more; and
- Embedding sustainability values and issues across the curriculum

This reporting applies the methodologies required by the Annual Public Bodies Climate Change Duties (PBCC) reporting and the Annual Higher Education Statistics Agency (HESA) reporting.

Equality and diversity

Through formal reporting from senior management, the Board of Governors assures itself that GSA is compliant with the Equality Act 2010 and meets the requirements of the Public Sector Equality Duty and the Scottish Specific Duties, including Mainstreaming and Equality Outcomes. The Director of GSA is responsible for providing leadership and ensuring that compliance with the Equality Act 2010 and delivery of the Public Sector Equality Duty and the Scottish Specific Duties is integral to GSA's strategic aims and are delivered across all activities and functions. The Deputy Director Academic is responsible for briefing the Director and for formal reporting, including to the Board of Governors. Members of the GSA Senior Leadership Group reporting to the Director are responsible for ensuring that institution-level policy is implemented and delivered effectively within the areas for which they have leadership and management responsibility.

Employment of disabled persons

GSA takes positive action to attract, recruit and retain people with disabilities. We are committed to:

- ensuring that people with disabilities receive full and proper consideration throughout the whole recruitment process;
- providing practical equipment or modification to enable disabled people to undertake full employment.

In the event of existing employees becoming disabled, every effort is made to ensure that their employment continues and that appropriate support is made available in partnership with the employee and their manager. It is our policy that the recruitment, training, career development and promotion of people with disabilities should, as far as possible, equal that of other employees.

Responsibilities of the Board of Governors for accounting and the financial statements

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

The Board considers that the Group and 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 GSA and to enable it to ensure that the financial statements are prepared in accordance with 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 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 Group and 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 GSA 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 GSA and prevent and detect fraud; and
- secure the economical, efficient and effective management of GSA's resources and expenditure.

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 Group's and the School's auditor is unaware; and
- They have 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 Group's and the School's auditor is aware of the information.

Leadership

In February 2020 the Board of Governors appointed Penny Macbeth as the new Director of the Glasgow School of Art having undertaken a recruitment process which was consultative, openly competitive and robust, and was informed by input from relevant stakeholders. The former Deputy Faculty Pro-Vice Chancellor for Arts and Humanities and Dean of Manchester School of Art at Manchester Metropolitan University took up post in May 2020, replacing GSA's substantive Deputy Director Innovation, Professor Irene McAra-McWilliam, who had held the position on an interim basis.

Auditor

Following the acquisition of Scott-Moncrieff Chartered Accountants by Azets, Scott-Moncrieff Chartered Accountants resigned as auditor and were replaced by Azets Audit Services Limited, trading as Azets Audit Services, a company owned by Azets.

Azets Audit Services, Chartered Accountants, will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

Post balance sheet events

There have been no significant events affecting the Group or School since the year end.

By order of the Board

Muriel Gray
Chair of the Board of Governors
23 November 2020

Penny Macbeth
Director
23 November 2020

Corporate governance statement

Introduction

The School's governance arrangements are defined through an Order of Council derived from the Further and Higher Education (Scotland) Act 1992. The School is also a Company Limited by Guarantee. The School's Statement of Corporate Governance (reviewed and approved by the Board of Governors annually) complies with the high-level principles contained within the revised Scottish Code of Good HE Governance published in 2017 (the Code) and also with the majority of the detailed provisions contained therein.

The undernoted sets out the manner in which the School has applied the principles set out in the Code and follows the format set out by the Scottish Funding Council's Accounts Direction in July 2020 and the SFC Financial Memorandum. Its purpose is to enable the reader of the financial statements to understand how these principles have been applied.

Governing body

The Board of Governors (the Board) is the governing body of the School and 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 normally meets four times per session (September, November, March and June), and holds an annual away-day (February) to focus on strategic matters and the future direction of the School. At each of the standard Board meetings in the year reported, the Board received an executive update from the Director, which set out matters relating to the work and progress of the School. The Board also received reports from the President of the Students' Association, the Registrar and Secretary and the Director of Finance. As a matter of course, the Board also received the minutes from Academic Council and from each of the Board Committees that had met in the preceding period.

The Academic Council is the principal academic body of the School. The remit of the Academic Council is specified in the School's Order of Council and represents delegated functions from the Board, 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.

Readers of this report are invited to note that, subsequent to GSA's new Order of Council and Articles of Association coming into force on 30 November 2020, the remit of the Academic Council will be specified in the Articles of Association and will be adjusted accordingly.

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 Chair's responsibilities include leading the Board and promoting its effective operation, and ensuring that its members work together effectively and have confidence in the procedures laid down for the conduct of business. Ultimately, the Chair is responsible for the conduct and effectiveness of the business of the Board of Governors. Further details regarding the role of the Chair are set out in the Statement of Corporate Governance which is published on the School's website.

The Board Intermediary is a point of contact for members of the Board in the event that they wish to raise an issue regarding the conduct of the Board or the Chair. The Board Intermediary is also responsible for leading the Board in conducting the annual appraisal of the Chair. This role is currently held by a Vice-Chair.

The Registrar and Secretary maintains regular contact with the Chair to ensure that the conduct of the Board's business is carried out in accordance with the Statement of Corporate Governance, that the Board and its Committees are serviced appropriately and that minutes prepared promptly. Agendas and papers (which include the Board minutes from the previous meeting) are published on the School's website, normally within eight weeks of the meeting.

Appointment of the Director

In session 2019/20, all members of the Board participated, in varying ways and degrees, to a thorough and valuable selection process regarding the recruitment of the Director. In particular, members of the Selection Committee (comprised of Independent Governors, the Staff Governor and President of the Students' Association) had engaged with and supported the various stakeholder groups which met with candidates, and were able to fully feedback their views to the wider Board. Board members, stakeholders and candidates had commented that the process had been thorough and informative.

COVID-19 Governance Arrangements

In order to ensure that governance-level decision-making continued to operate through the established formal committee and Board structure during the COVID-19 pandemic (from March 2020 onwards), in close consultation with the Chair of the Board, the Registrar and Secretary worked to ensure that GSA's governance arrangements remained robust and appropriate during this critical period. This included taking steps to ensure that the Board was clear and content regarding its governance model and seeking to enable any adjustments to be made prior to the major decision-making that would be required as GSA worked to mitigate the significant impact of COVID-19 on the institution, its students and staff.

The Chair provided the Board with regular updates informed by her frequent engagement with the Director and the Registrar and Secretary. In addition, the Board was provided with regular reports from the communications team regarding student and staff updates.

In order to ensure that governance-level decision-making continued to operate through the established formal committee and Board structure, the fourth committee cycle was delivered as scheduled and measures were put in place to enable meetings to be held via video conference. Following consideration of the agendas and in consultation with Committee convenors, business relating to the Museum and Archive Committee, Human Resources Committee, and the Occupational Health and Safety Committee was addressed by correspondence (with the latter supplemented by a small meeting of senior officers and the Convenor). This would apply to the fourth committee cycle only. The Business and Estates Committee, Remuneration Committee, Audit Committee and the Board met using video conferencing facilities.

An additional Business and Estates Committee meeting (29 June) and additional Board meetings (24 April, 21 July and 17 August 2020) were scheduled in order that members could remain close to the topics and that decisions could be made in a timeous and informed manner as the situation developed. This model ensured that, during the critical period when funding and recruitment outcomes were being established, there was either a Business and Estates Committee or Board meeting every month from April to September 2020.

Scenario Planning for BREXIT

The School reviews the implications of BREXIT and the associated risks and mitigations, across a wide range of governance areas during this transition period, including finance, research, staff and student recruitment and exchange, EU student fees, and intellectual property. BREXIT is considered as part of the School's risk register discussions. To support GSA's BREXIT contingency planning, a BREXIT Working Group was established.

Statement of Primary Responsibilities and Schedule of Delegation

In accordance with the Code, the Board has a Statement of Primary Responsibilities and Schedule of Delegation which states which matters are reserved for the consideration of the Board and which have been formally delegated to its Committees. These are set out in full in the 2020/21 Statement of Corporate Governance. Readers of this report are invited to note that, subsequent to GSA's new Order of Council and Articles of Association coming into force on 30 November 2020, the Statement of Primary Responsibilities will be adjusted to align with the terms of these documents.

The current Statement of Primary Responsibilities provides detail regarding the following responsibilities of the Board:

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 is upheld and to ensure the defence 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 Independent 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;
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;
13. To establish processes to monitor and evaluate the performance and effectiveness of the Board of Governors;
14. 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;

15. To determine and review the remuneration of those senior staff members whose salaries are not included within national pay scales;
16. To form, and receive regular reports from, committees to consider major areas of activity;
17. To support and enable the effective functioning of the Students' Association;
18. To satisfy itself that the School operates with high levels of social responsibility; and
19. To take all final decisions on matters of major concern to the School.

The Schedule of Delegation records the delegated authority for decisions taken in the name of or on behalf of the Board. As part of the Statement of Corporate Governance, the Schedule is reviewed and formally approved by the Board 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 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 on an annual basis and published on the School's website. A brief overview of the remit of each committee is set out below.

The Board had the following committees in 2019/20: **Business and Estates, Audit, Human Resources, Interim Steering Group (Mackintosh), Museum and Archive, Occupational Health and Safety, Remuneration, and Nominations**. All of these committees are formally constituted with terms of reference and all are convened by Independent Governors.

Composition of the Board

The Board comprises independent 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. At present, the Director, Deputy Director Academic (post currently vacant) and the President of the Students' Association are ex officio members. Academic employees of the School elect one Governor to the Board of Governors and through the Academic Council appoint a second Governor. This latter post will cease when GSA's new Order of Council comes into force in November 2020. Professional support staff elect one Governor to the Board. Since 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.

Independent 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, subject to review and approval by the Nominations Committee. The balance of skills and experience among Independent 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, is published on GSA's website.

When an Independent 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 Board also recognises its responsibility to demonstrate leadership in promoting and facilitating equality and diversity, and ensures 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, as part of the Nominations Committee's appointment process.

The School has a robust and transparent recruitment process. The most recent round of Independent Governor recruitment was undertaken in autumn 2019, during which the posts were advertised widely in the national press, on the Committee of University

Chairs and Women on Boards websites, and on GSA's own website. GSA recruited and appointed five new Independent Governors: Ms Kristen Bennie, Ms Ann Faulds, Professor John French, Dr Martin Herbert, and Mr Tsz Wu who commenced their period of office on 1 November 2019. At the date of the approval of these financial statements, the School's Board consists of a total membership of eighteen members, thirteen of whom are Independent Governors, of which the latter category has a male:female ratio of 62%:38%. While the Board has a sufficient number of individuals with a broad base of skills and experience to support the work of the Board, following the 2019 round of recruitment, it had been agreed that the established Nominations Committee panel would continue the recruitment process in early 2020 with a view to making further Independent Governor appointment recommendations with the areas of focus being higher education, finance, and museums/heritage. The Board would also seek to address the gender balance in its next round of recruitment. However, owing to the COVID-19 pandemic, it was agreed that this exercise would be resumed at a later stage and at the optimum time for GSA.

Three Independent Governors left the Board during the reporting period – Professor Alison Yarrington (February 2020); Mr Ken Ross (June 2020) and Professor Nora Kearney (September 2020). Mr Alessandro Marini was President of the Students' Association during the reporting period and was re-elected as President for session 2020/21.

Induction and Governor Development

New Governors attend a governance briefing with the Registrar and Secretary which includes information on the responsibilities of the Board, and overview of developments in the HE sector, the School's strategic plan and overall governance and financial situation. They are also afforded the opportunity to meet with the Director and members of the Senior Leadership Group. In addition to induction, all Governors are invited to participate in an annual governance briefing to refresh their knowledge in this area, with this being mandatory for staff Governors and Trade Union attendees.

Throughout the session, Governors are normally invited to participate in briefings, presentations and tours to keep members up to date with developments within GSA's five schools. These also serve to increase members' knowledge and sense of connection with staff and students. During session 2019/20, as part of a series of lunchtime presentations, sessions were held regarding GSA's Research Excellence Framework preparations and recent works on the Mackintosh Building site. In addition, in February 2020, a Meet the Board reception was held which provided the new Independent Governors with an opportunity to meet staff and introduce themselves with a brief presentation providing information about their background and how they intended to work with the Board.

The School remains committed to Governor development, and Board members are kept informed of upcoming seminars and conferences relevant to Higher Education governance, for example those delivered by AdvanceHE through its Governor Development Programme. New Governors (including the Student President) are strongly encouraged to participate in the Scotland-specific training session in October, and the Corporate Governance Office ensures that all Governors are made aware of the programme of events, and reminded of these at relevant points throughout the session. The Chair undertakes reviews of members' individual contributions at least every two years and this is a further opportunity for members to identify and seek personal development. Following completion of the reviews, the Chair, with appropriate input from the Vice Chairs, collates the reviews and identifies any points to be followed up with individual Governors including any training requirements (for referral to the Registrar and Secretary); any points for wider consideration by either the Nominations Committee or the Board; and any points to be factored in to the wider review of Board effectiveness.

Board Committees

The **Audit Committee** met four times in session 2019/20 with both the External and Internal Auditor in attendance, with the final meeting of the Committee in session 2019/20, and subsequent meetings in 2020/21 held by video-conferencing. The 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 senior officers' response and implementation plans. It also receives relevant reports from the Scottish Funding Council if they affect the School's business and monitors adherence to regulatory requirements. The Committee also recommends to the Board the Annual Accounts for approval, and is responsible for producing an annual report on the effectiveness of the School's governance arrangements. A private meeting of the Internal and External Auditors with independent members of the Committee takes place at the November meeting of the Committee.

As a further enhancement for 2020/21, in June 2020, the Board approved that the Audit Committee be reframed as the **Audit and Risk Committee**, with more time allocated to allow for further comprehensive consideration of the Institutional Risk Register. The Risk Register continues to be shared with the Board but on the basis that the Audit and Risk Committee had scrutinised it in detail. Further, corporate governance documentation and development were added to the remit of the Committee. Previously, it was important that the substantial changes arising from corporate governance developments were shared directly with the full Board but the return to a steady state has allowed for this work to be routed through a committee.

The **Business and Estates Committee** met six times in session 2019/20. Two additional meetings were held in this academic session: one in February 2020 relating to the Steering Group (Mackintosh), and another in June 2020 in response to the COVID-19 situation. The Business and Estates Committee is responsible for developing strategic financial management of GSA in response to the

Strategic Plan, ensuring that GSA is managed efficiently and effectively, noting annual accounts to the Board, considering the School's annual budgets, including budgetary submissions to the Scottish Funding Council, considering the School's annual Operational Plan and reviewing and approving the level of overseas and RUK student fees for each academic year. The Committee is also responsible for approving the level of block grant to the Students' Association each year and reviewing regular financial reports prepared by the Association and considering the establishment of related companies/joint ventures prior to consideration to the Board. It also reviews and approves all matters relating to the School's estate.

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, along with matters relating to equality. The committee met three times in session 2019/20. Owing to circumstances relating to the COVID-19 pandemic, business relating to the Human Resources Committee meeting, scheduled for 12 May 2020, was considered by correspondence.

In June 2020, the Board approved changes to the remit to enable the Committee to approve Human Resources polices, subject to Board amendment or rejection, rather than recommending them to the Board. This was implemented at the start of session 2020/21 and it is anticipated that this will allow a better balance of business between the Board and its committees. In addition, the Board agreed that it would remove from membership of the Committee those members elected by staffing groups and default representation of all trade unions, and add to the membership, by deploying the two Trade Union Governors/attendees and two Staff-Elected Governors. In addition to aligning more broadly with the general sector approach to Board committee membership, ensuring that these Board members are well sighted on the business considered by this Committee (with the Trade Union Governor/attendees also inputting via the Trade Unions Forum), this will, in turn, make them well placed to subsequently report on these important matters to the Board.

The **Interim Steering Group (Mackintosh)** was constituted in July 2019 to agree an appropriate structure and governance framework for the **Steering Group (Mackintosh)** of which the summary role is to provide oversight and constructive challenge to the Mackintosh Development Team. In June 2019, the Board agreed that the Strategic Developments Committee would become the interim Mackintosh Steering Group and this group met six times between July and December 2019 to ensure that the project maintained momentum. The Steering Group (Mackintosh) was established in December 2019. While this group is convened by an Independent Governor and has Independent Governors on its membership, it is not a Board committee. The Board of Governors has overall and final authority for all works on the Mackintosh Building. This aligns with the primary responsibilities set out in GSA's Statement of Corporate Governance, e.g. the Board is the principal financial and business authority of the School; and the Board shall take all final decisions on matters of major concern to the School. On all matters pertaining to the works of the Mackintosh Building, the Board will continue to be informed by the views of the Business and Estates Committee, which receives reports from the Steering Group (via the report from the Senior Project Sponsor) and senior management.

The Museum and Archive Committee considers and makes recommendations on all matters relating to the School's Museum and Archive Collections. The committee met four times in session 2019/20. Owing to circumstances relating to the COVID-19 pandemic, business relating to the Museum and Archive Committee meeting, scheduled for 23 April 2020, was considered by correspondence.

The **Nominations Committee** oversees and recommends to the Board the appointment and renewal of Independent Governors, and the appointment of Board office-holders. The Committee meets as and when required, and in session 2019/20 conducted its business through correspondence.

The **Occupational Health and Safety Committee** reviews and monitors various aspects of health and safety management. The committee met three times as a Board committee in 2019/20. Owing to circumstances relating to the COVID-19 pandemic, business relating to the Occupational health and Safety Committee meeting, scheduled for 5 May 2020, was considered by correspondence.

In June 2020, the Board approved proposals that the Occupational Health and Safety Committee would transition to become a management committee (retitled as the Occupational Health and Safety Management Committee), convened by a senior officer of GSA, with the Director in attendance. With effect from session 2020/21, Board oversight now takes the form of a smaller Board-level Health and Safety Committee with a membership comprising of Independent Governors, Elected Staff Governors, Students' Association Governors, Trade Union Governors/attendees, the Director of GSA and relevant senior managers.

The **Remuneration Committee** met twice in session 2019/20 and considered one staffing matter by correspondence. The Remuneration Committee is responsible for agreeing the remuneration of those senior staff not covered through national pay scales, and for considering the terms and conditions and severance payments for such staff (subject to Scottish Funding Council guidance). Details of remuneration for the year under review are specified in this report.

The work of the Remuneration Committee is governed by the Remuneration Committee Framework, and is informed by benchmarking data and comparator information on salaries and other benefits and conditions of service in the Higher Education sector. The framework provides clarity on the circumstances under which remuneration for senior roles should be considered and what the process is, the information that should be used as a basis for decision-making and the parameters and process for approval. The procedures outlined in the Framework follow the principles of the Code, the Higher Education Governance (Scotland) Act (2016) and the Equality Act (2010) and aim to ensure:

- A fair and transparent approach to senior staff remuneration that reflects the markets within which GSA operates;
- Appropriate and justified levels of remuneration for senior staff based upon use of appropriate comparative information from established independent sources;
- Proportionality and consistency of application of decision-making factors.

The President of the Students' Association and an Academic Staff Governor are members of the Committee. Any reports submitted by Human Resources to the Remuneration Committee are also circulated to the Board's two Trade Union attendees (shortly to become Governors) in advance of Remuneration Committee consideration and the Director of Human Resources reports their views to the Committee.

Board Committee Membership

The following persons served on the committees of court during the financial year reported in these accounts.

Audit Committee (until 1 June 2020): Mr Andrew Sutherland, Convenor; Ms Ann Faulds (from May 2020); Dr Martin Herbert (from 1 November 2019); Mr Michael McAuley (until 12 November 2019); and Ms Lesley Thomson (until 12 November 2019).

Audit and Risk Committee (from 1 June 2020): Mr Andrew Sutherland, Convenor; Ms Ann Faulds; Dr Martin Herbert; Mr Michael McAuley.

Business Committee (between 1 August 2019 and 30 August 2019): Mr Habib Motani, Convenor; Professor Nora Kearney; Mr Alessandro Marini; Professor Irene McAra-McWilliam; and Mr Harry Rich.

Business and Estates Committee (from 1 September 2019): Mr Habib Motani, Convenor; Ms Muriel Gray (from 1 January 2020); Professor Nora Kearney (until 31 December 2019); Professor Irene McAra-McWilliam (until 24 May 2020); Mr Michael McAuley; Ms Penny Macbeth (from 25 May 2020); Mr Alessandro Marini; Mr Harry Rich; Mr Ken Ross (until 30 June 2020); and Mr James Sanderson.

Estates Committee (between 1 August 2019 and 30 August 2019): Mr Michael McAuley, Convenor; Professor Nora Kearney; Professor Irene McAra-McWilliam; Mr Ken Ross; and Mr James Sanderson.

Health and Safety (from 1 September 2020): Mr James Sanderson, Convenor; Dr Martin Herbert, Vice Convenor; Ms Polly Christie; Ms Penny Macbeth; Mr Alessandro Marini; and Professor Sarah Smith.

Interim and Urgent Business Committee (currently in abeyance)

Interim Steering Group (Mackintosh) (July 2019 – December 2019): Professor Nora Kearney, Convenor; Professor Irene McAra McWilliam; Mr Michael McAuley; Mr Habib Motani; Mr Ken Ross; and Ms Lesley Thomson.

Human Resources Committee: Ms Kristen Bennie, Convenor (from 1 September 2020); Ms Ann Faulds, Convenor (from 1 January 2020 to 31 August 2020); Ms Lesley Thomson, interim Convenor (until 31 December 2019); Ms Polly Christie (from 1 September 2020); Ms Penny Macbeth (from 25 May 2020); Professor Irene McAra-McWilliam (until 24 May 2020); Mr Alessandro Marini; Professor Ken Neil (until 23 January 2020); and Professor Sarah Smith (from 1 September 2020).

Nominations Committee: Ms Muriel Gray, Convenor (from 1 January 2020); Professor Nora Kearney, (Convenor until 31 December 2019); Ms Kristen Bennie (from 1 September 2020); Ms Ann Faulds (from 1 January 2020 – 31 August 2020); Dr Kate Lampitt Adey (from April 2020); Ms Penny Macbeth (from 25 May 2020); Professor Irene McAra-McWilliam (until 24 May 2020); Mr Michael McAuley (until 30 August 2019); Mr Alessandro Marini; Mr Habib Motani; Professor Johnny Rodger (until 30 November 2019); Mr Ken Ross (until 30 June 2020); Professor Sarah Smith (from 1 June 2020); Mr Andrew Sutherland; Ms Lesley Thomson; and Professor Alison Yarrington (until 6 February 2020).

Museum and Archive Committee: Dr Kate Lampitt Adey, Interim Convenor (from April 2020); Professor Alison Yarrington, (Convenor until 6 February 2020); Ms Polly Christie; Mr Alessandro Marini; and Professor Ken Neil (until 23 January 2020).

Occupational Health and Safety Committee: Mr Ken Ross, Convenor (until 30 June 2020); Ms Penny Macbeth (from 25 May 2020); Professor Irene McAra-McWilliam (until 24 May 2020); Mr Alessandro Marini; and Professor Ken Neil (until 23 January 2020).

Remuneration Committee: Professor Nora Kearney, Convenor (from 1 January 2020 to 3 September 2020); Mr Ken Ross (until 30 June 2020 and interim Convenor as required between 4 June 2019 – 31 December 2019); Mr Alessandro Marini; Professor Sarah Smith; and Ms Lesley Thomson (from 13 November 2019).

Board Effectiveness

In accordance with GSA's Statement of Corporate Governance, that the School monitor and evaluate the effectiveness of its Board of Governors, the Corporate Governance Office undertook an annual review of Board effectiveness for session 2018/19, the results from which were reported to the Board in November 2019. As an enhancement to the effectiveness review, members were also invited to respond to statements and provide comments on the effectiveness of the Board's committee in line with their respective membership. The clear majority of responses from members of the Board were positive or very positive, which supported the conclusion that the institution had adequate and effective governance arrangements regarding GSA's Board effectiveness. The Board

effectiveness survey for 2019/20 will be launched in September 2020, and in line with the previous session is scheduled to report in November 2020.

The last externally facilitated review reported in 2017/18 and the summary report is available on GSA's website, together with GSA's approach to addressing the recommendations from the review. The current schedule is that GSA will repeat the internal exercise in 2019/20 and 2020/21, which would allow for a three-year trend to inform a required external and independent exercise in 2021/22. This will also allow for reflection and assessment as to the effectiveness and compliance regarding the provisions of the Scottish Code of Good HE Governance (2017) and the Higher Education Governance (Scotland) Act 2016.

Attendance at meetings between 1 August 2019 and 31 July 2020

The attendance of the individual Governors at Board and principal Committee meetings between 1 August 2019 and 31 July 2020 was as follows:

	Board of Governors	Audit	Business and Estates	Occupational Health & Safety	Human Resources	Museum and Archive
	7**	4	6	3	3	4
Ms Kristen Bennie	6/6				2/2	
Ms Polly Christie	4/5					
Ms Ann Faulds	6/6	1/1	1/1*		3/3	
Professor John French	6/6		1/1*			
Ms Muriel Gray	5/5	1/2*	4/4			
Dr Martin Herbert	6/6	3/3				
Professor Nora Kearney	4/7	0/2*	2/2			
Dr Kate Lampitt Adey	7/7					4/4
Professor Irene McAra-McWilliam	4/5*	3/4*	5/6*	2/3	2/3	1/2
Mr Michael McAuley	6/7	3/4	5/6			
Ms Penny Macbeth	2/2	1/1	2/2			
Mr Alessandro Marini	7/7		5/6	1/3	1/3	2/4
Mr Habib Motani	7/7		6/6			
Professor Ken Neil	2/2	1/1*	1/1*	1/1	1/1	2/2
Mr Harry Rich	7/7		5/6			
Professor Johnny Rodger	1/2					
Mr Ken Ross	5/6		4/6	3/3		
Mr James Sanderson	6/7		6/6			
Professor Sarah Smith	6/7					
Mr Andrew Sutherland	7/7	4/4				
Ms Lesley Thomson	7/7	2/2			1/1	
Mr Tsz Wu	6/6					
Professor Alison Yarrington	2/2					3/3
Dr Craig Williamson, Registrar and Secretary	7/7*	4/4*	6/6*	3/3*	3/3*	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 COVID-19 pandemic, additional meetings of the Board were held in April, July and August 2020.

***The Business and Estates Committee normally meets four times each year. In 2019/20, two additional meetings were held: one in February 2020, and another in June 2020.

Corporate strategy

The Board's responsibilities include providing input into, approving, and monitoring the School's long-term strategic plans. The Director is responsible for providing the Governors with advice on the strategic direction of the School.

As reported in 2018/19, on the basis that this session was necessarily a period of consolidation, it was agreed that the Strategic Plan developed and approved at the end of session 2017/18 would be put in abeyance. The School approved an Operational Plan for 2019/20 in November 2019, and throughout the course of the remainder of session 2019/20, the Senior Leadership Group and the Board received regular reports on progress against its delivery.

The Board held a Strategic Discussion in November 2019 regarding the future development of the Strategic Plan and the Board Away-Day of 7 February 2020 had an open and energetic discussion on the overarching principles that GSA should use to underpin its emerging strategic plan. The discussion resulted in a document which set out Guiding Principles and these will be core to the next stages of developing the strategic plan and have formed a helpful, informative, basis for the Board to link with the new Director. Recognising that their input would be key to the successful formation of the strategic plan, the Board had previously resolved not to progress the development of GSA's post-2018 Strategic Plan until a permanent Director was in post. In July 2020, the new Director provided the Board with an overview of the proposed approach to the strategic planning process, detailing the timeline, key milestones and stakeholder engagements which would ultimately result in GSA's new, three-year Strategic Plan for implementation in session 2021/22. This Plan shall take into account the additional challenges created by the COVID-19 situation and the considerable volume of work underway relating to scenario planning. Due consideration will be made of the key metrics (e.g. National Student Survey results, retention, good honours classifications, and value added) to produce a rounded view of academic performance. Further, the views of key stakeholder groups will be placed at the centre of the strategy, and workshop sessions with these groups would be designed and facilitated to encourage engagement across each of GSA's academic schools, using a range of staff. The Board will be involved in the process, from its early inception, through its development to final approval. The proposed approach will be an inclusive and generative process, with inputs from the Board, staff, students and key stakeholders over the course of session 2020/21.

An Operational Plan will be produced for 2020/21, which will act as a guiding document and subsequently feed into the strategic planning process. This will be considered by the Board for approval in November 2020.

Risk management

The Risk Management Framework establishes the processes GSA follows to monitor, manage and mitigate risk and the institution's appetite for risk across its portfolio of work. Responsibility for managing risks is achieved through the Risk Management Framework and the Senior Leadership Group. This is the overarching approach the School has in place to identify, manage, mitigate and monitor all risks in relation to achieving its strategic objectives and operational performance.

The GSA Senior Leadership Group reviews the Institutional Risk Register on a monthly basis to consider risks, update the mitigations and amend the risk profile. A senior staff member from the out-sourced Internal Audit service attends the Senior Leadership Group on a quarterly basis (prior to the submission of the Institutional Risk Register to the Audit and Risk Committee) to review the Risk Register and to provide external guidance and advice on the scope of assurance for managing risk provided by GSA's internal audit programme.

In early March 2020, the Senior Leadership Group had agreed that a high-level Institutional Risk Register should be specifically developed to respond to the fast-moving COVID-19 pandemic and this remained in place until July 2020 when it was combined with the standard Institutional Risk Register. In discussion with the Convenors of the Audit Committee and the Business and Estates Committee, it has been agreed that from May 2020 the Institutional Risk Register would be provided, for information, to the Business and Estates Committee for comment. This is on the basis that some of the matters to be considered by the Business and Estates Committee will be as a result of items on the Institutional Risk Register, particularly in the COVID-19 context. In line with the Risk Management Framework, responsibility for reviewing and approving the Institutional Risk Register continues to reside with GSA's Audit and Risk Committee which remains responsible for reviewing the Institutional Risk Register in detail.

The School's Risk Appetite is designed to provide guidance to staff to ensure they have confidence in being innovative and ambitious or conservative and compliant, and know the parameters where it is necessary to refer to the Senior Leadership Group who will refer to the Board (including Board Committees) as appropriate. Overall responsibility for ensuring the School undertakes activities in line with its appetite for risk lies on a day-to-day basis with members of the GSA's Senior Leadership Group.

The Risk Management Framework and Risk Appetite will be the subject of further in-depth review in the course of 2020/21 and proposals from the Senior Leadership Group would be submitted for the Board's consideration in due course.

Internal control

The Purpose of the System of Internal Control

The Board 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 and Risk Committee. The Board and Audit and Risk Committee reviews the Institutional 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 and Risk Committee in line with the annual Internal Audit Plan.

Review of effectiveness of the internal control system

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 and Risk 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 November 2020, the annual Audit and Risk Committee report to the Board confirmed that the Committee was of the opinion that, as far as can reasonably be expected, it was satisfied:

- That GSA's internal financial and management systems are adequate and effective, as are the arrangements for securing economy, efficiency and effectiveness, based on the assessments provided by the external and internal auditors.
- That the Board's responsibilities, as described in its Statement of Primary Responsibilities, have been satisfactorily discharged.

The External Auditor also reports to the Director of Finance, GSA's Senior Leadership Group and the Audit and Risk Committee on any internal control issues that they identify during its normal audit activities.

The Scottish Code of Good Higher Education Governance

As acknowledged by the Scottish Funding Council, the School has until 2020 to fully comply with the Higher Education Governance (Scotland) Act 2016 and therefore may not achieve full compliance with the Code in certain areas until this time.

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.

In the opinion of the Board, the School has complied with all the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance with the exception of detailed provisions 59 and 82 which relate to the formulation of the rules and procedures required for the election of the Chair and the constitution of the Academic Board respectively. The School has taken action to address both matters through the amendment of their existing governing instruments and it is anticipated that the new governing instruments will be in place by 30 November 2020 at which point the School will be fully compliant with the terms of the Code.

GSA's Statement of Corporate Governance sets out the requirement that the Board holds an annual stakeholder meeting, in line with detailed provision 43 of the Code. Given GSA's visual nature, an event format has been adopted, and the inaugural version in 2019 was timed to coincide with the Undergraduate Degree Show. Owing to the COVID-19 situation, in summer 2020, the Board agreed to delay the Annual Stakeholder Meeting until such time as it can be safely held. Consideration was given to adopting a digital format but owing to the presentational nature of the meeting, this was not considered to be feasible and an alternative date will be arranged when social distancing measures allow.

Going concern

The Group's and the School's activities and the factors likely to affect its future development, performance and position are set out in the Strategic Report. Its financial performance for the year to 31 July 2020, income and expenditure, assets, liquidity and cash flows are set out in more detail in the Notes to the Financial Statements.

During the year, the remaining reserves of the Centre for Digital Documentation and Visualisation LLP were shared between its two members, GSA and Historic Environment Scotland. The LLP will now be wound up.

The Group and the School have adequate financial resources and its current forecasts and projections show it to be well placed to manage its activities successfully having taken account of risks and uncertainties highlighted in the Annual Report and Financial Statements. The Board of Governors considers that the Group and the School has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted when preparing the Financial Statements.

Conclusion

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

Muriel Gray
Chair of the Board of Governors
23 November 2020

Penny Macbeth
Director
23 November 2020

Independent auditor's report to the Board of Governors of Glasgow School of Art

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 2020 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 2020 and of the Group's and School's income and expenditure, recognised gains and losses and Statement of Cash Flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Governors has 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 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.

Independent auditor's report to the Board of Governors of Glasgow School of Art (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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:

- the requirements of the Scottish Funding Council's accounts direction have been met;
- 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 Scottish Funding Council 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 governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board of Governors

As explained more fully in the Responsibilities of the Board of Governors for accounting and the financial statements set out on page 13 the Board (who are Trustees for the purpose of charity law and Directors for the purpose of company 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 Board of Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Governors is 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 Board of Governors 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 Council's 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, 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 of Governors, 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 of Governors, 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 Azets Audit Services, Statutory Auditor
Allan House
25 Bothwell Street
Glasgow
G2 6NL

Date: 23 November 2020

The maintenance and integrity of the Glasgow School of Art's web site is the responsibility of the Board of Governors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group and School Statement of Comprehensive Income

Year ended 31 July 2020

		Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated	**School**	Consolidated	School
	Note	**£000**	**£000**	£000	£000
Income		**£000**	**£000**	£000	£000
Tuition fees and education contracts	1	**18,370**	**17,341**	16,323	15,159
Funding body grants	2	**14,561**	**14,561**	14,551	14,551
Research grants and contracts	3	**2,742**	**2,742**	3,217	3,217
Other income	4a	**3,047**	**3,117**	2,623	3,369
Insurance income	4b	**15,513**	**15,513**	14,734	14,734
Development Trust income	4c	**6**	**-**	(1,197)	(290)
Investment income	5	**478**	**478**	304	304
		54,717	**53,752**	50,555	51,044
Expenditure					
Staff costs	7	**24,799**	**24,307**	25,698	25,145
Other operating expenses	8	**12,441**	**12,419**	11,411	11,362
Impairment charge	8	**3,505**	**3,505**	-	-
Campus redevelopment expenditure:					
Business interruption	9	**-**	**-**	5,188	5,188
Mackintosh Building debris clearance and stabilisation work	9	**4,295**	**4,295**	8,198	8,198
Depreciation	13	**2,573**	**2,573**	1,966	1,966
Interest and other finance costs	10	**332**	**332**	271	271
		47,945	**47,431**	52,732	52,130
Surplus/(deficit) before other gains losses and share of operating surplus of joint ventures and associates	11	**6,772**	**6,321**	(2,177)	(1,086)
Share of operating (deficit)/surplus in joint venture	16a	**(4)**	**-**	49	-
Accumulated income retained within specific endowments	15	**13**	**13**	74	74
Gain on investments - appreciation of endowment assets	15	**(118)**	**(118)**	155	155
Surplus/(deficit) before tax		**6,663**	**6,216**	(1,899)	(857)
Taxation	12	**(66)**	**-**	(65)	-
Surplus/(deficit) for the year		**6,597**	**6,216**	(1,964)	(857)
Other comprehensive income					
Actuarial (loss) in respect of pension schemes	31	**(9,227)**	**(9,227)**	(4,422)	(4,422)
Revaluation of heritage assets	14	**486**	**486**	-	-
Total comprehensive income for the year		**(2,144)**	**(2,525)**	(6,386)	(5,279)
Represented by:					
Endowment comprehensive income for the year		**(105)**	**(105)**	229	229
Restricted comprehensive income for the year		**(5)**	**-**	(1,202)	(290)
Unrestricted comprehensive income for the year		**(2,520)**	**(2,906)**	(5,413)	(5,258)
Revaluation reserve comprehensive income for the year		**486**	**486**	-	-
		(2,144)	**(2,525)**	**(6,386)**	**(5,279)**

All items of income and expenditure relate to continuing activities, outwith the activities of the joint venture, the Centre for Digital Documentation and Visualisation LLP which is being wound up in 2020/21.

Group and School Statement of Changes in Reserves

Year ended 31 July 2020

	Endowment	Restricted	Income and expenditure reserve	Revaluation reserve	Total
	£000	£000	£000	£000	**£000**
CONSOLIDATED					
Balance at 1 August 2018	4,579	9,571	9,150	20,594	43,894
Prior year adjustment to correct release from revaluation reserve (note 34)	-	-	5,611	(5,611)	-
Balance at 1 August 2018 as restated	4,579	9,571	14,761	14,983	43,894
Total comprehensive income	229	(1,202)	(5,413)	-	(6,386)
Transfers between revaluation and income and expenditure reserve	-	-	322	(322)	-
Balance at 1 August 2019 as restated	4,808	8,369	9,670	14,661	37,508
Total comprehensive income	(105)	(5)	(2,520)	486	(2,144)
Transfers between revaluation and income and expenditure reserve	-	-	94	(94)	-
Balance at 31 July 2020	**4,703**	**8,364**	**7,244**	**15,053**	**35,364**
SCHOOL					
Balance at 1 August 2018	4,579	8,200	8,170	20,594	41,543
Prior year adjustment to correct release from revaluation reserve (note 34)	-	-	5,611	(5,611)	-
Balance at 1 August 2018 as restated	4,579	8,200	13,781	14,983	41,543
Total comprehensive income	229	(290)	(5,218)	-	(5,279)
Transfers between revaluation and income and expenditure reserve	-	-	322	(322)	-
Balance at 1 August 2019 as restated	4,808	7,910	8,885	14,661	36,264
Total comprehensive income	(105)	-	(2,906)	486	(2,525)
Transfers between revaluation and income and expenditure reserve	-	-	94	(94)	-
Balance at 31 July 2020	**4,703**	**7,910**	**6,073**	**15,053**	**33,739**

Group and School Balance Sheet

As at 31 July 2020

		Year ended 31 July 2020		Year ended 31 July 2019 *as restated*	
		Consolidated	**School**	Consolidated	School
	Note	**£000**	**£000**	£000	£000
Non-current assets					
Fixed assets	13	**72,333**	**72,333**	77,283	77,283
Heritage assets	14	**13,271**	**13,205**	12,785	12,719
Investments	15	**4,703**	**4,703**	4,808	4,808
Investment in joint venture	16	**38**	**-**	42	-
		90,345	**90,241**	94,918	94,810
Current assets					
Stock	17	**123**	**123**	89	89
Debtors greater than one year	18	**5,251**	**-**	5,257	-
Trade and other receivables	18	**9,124**	**9,111**	5,210	4,730
Cash and cash equivalents	26	**24,224**	**22,799**	8,826	8,186
Current asset investments - bank deposits	19	**-**	**-**	9,000	9,000
		38,722	**32,033**	28,382	22,005
Less Creditors: amounts falling due within one year	20	**(8,419)**	**(8,251)**	(9,539)	(9,298)
Net current assets		**30,303**	**23,782**	18,843	12,707
Total assets less current liabilities		**120,648**	**114,023**	113,761	107,517
Creditors: amounts falling due after more than one year	21	**(61,139)**	**(56,139)**	(62,761)	(57,761)
Provisions					
Pension provisions	23	**(24,145)**	**(24,145)**	(13,492)	(13,492)
Total net assets		**35,364**	**33,739**	37,508	36,264
Restricted Reserves					
Endowment reserve	24	**4,703**	**4,703**	4,808	4,808
Restricted reserve	25a	**8,364**	**7,910**	8,369	7,910
Unrestricted Reserves					
Income and expenditure reserve	25b	**7,244**	**6,073**	9,670	8,885
Revaluation reserve	25c	**15,053**	**15,053**	14,661	14,661
Total Reserves		**35,364**	**33,739**	37,508	36,264

The financial statements were approved by the Board of Governors on 23 November 2020 and were signed on its behalf on that date by:

Penny Macbeth, Director

Muriel Gray, Chair of the Board of Governors

Company no: SC002271

Group Statement of Cash Flows

Year ended 31 July 2020

	Note	**2020** **£000**	2019 £000
Cash flow from operating activities			
Surplus/(Deficit) for the year		**6,597**	(1,964)
Adjustment for non-cash items			
Depreciation	13	**2,573**	1,966
Impairment charge	8,13	**3,505**	-
(Increase) in stock	17	**(34)**	(3)
(Increase)/decrease in debtors	18	**(3,908)**	1,531
(Decrease) in creditors	20	**(1,069)**	(996)
(Decrease) in pension provision	23	**(78)**	(85)
Taxation charge	12	**66**	65
Tax paid	12	**(54)**	-
Share of operating deficit in joint venture	16a	**4**	-
Staff costs - FRS102 pension adjustment	7	**1,222**	1,895
Adjustment for investing or financing activities			
Loss/(gain) on investments	15	**118**	(155)
Accumulated income of endowment investments	15	**(13)**	(74)
Investment income	5	**(478)**	(304)
Interest payable	10	**332**	271
Funding council loan support grants	2	**-**	(11)
Release of deferred capital grants	21	**(1,416)**	(1,218)
Net cash inflow from operating activities		**7,367**	918
Cash flows from investing activities			
Investment income	5	**478**	304
Payments made to acquire fixed assets	13	**(1,128)**	(7,623)
		(650)	(7,319)
Cash flows from financing activities			
Interest paid	10	**(50)**	(65)
New secured loans	20,21	**-**	1,020
Repayments of loan amounts borrowed	20,21	**(231)**	(69)
Capital repayments of finance leases	20,21	**(38)**	(76)
		(319)	810
		6,398	(5,591)
less: deposits withdrawn	19	**9,000**	10,000
Increase in cash and cash equivalents in the year		**15,398**	4,409
Cash and cash equivalents at beginning of the year	26	**8,826**	4,417
Cash and cash equivalents at end of the year	26	**24,224**	8,826
Increase in cash and cash equivalents in the year		**15,398**	4,409

The reconciliation of net debt appears in Note 27

Statement of principal accounting policies and estimation techniques

Year ended 31 July 2020

1. General information

Glasgow School Art is a registered company and its registered number is SC002271. It is also a registered charity in Scotland and its registered number is SC012490. The registered address is 167 Renfrew Street, Glasgow, G3 6RQ. Glasgow School of Art is registered under The Further and Higher Education (Scotland) Act 1992.

2. Statement of compliance

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 (2019 edition).

Glasgow School of Art is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

3. Basis of preparation

The financial statements have been prepared under the historical cost convention, subject to the revaluation of certain fixed assets.

The effect of events relating to the year ended 31 July 2020, 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 2020 and of the results for the year ended on that date.

The presentation currency is pound sterling and the financial statements are rounded to the nearest £000.

4. Going concern

The Group's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. Within that report is a review of the institution's financial performance, its cash flows, liquidity position and borrowing facilities.

The global COVID-19 pandemic has inevitably increased the level of financial risk. Consequently, the Group's financial planning has anticipated a range of scenarios, reflecting adverse effects on student recruitment and therefore income for the coming year. In response, the institution has formulated responses, based on cost mitigation, to protect its trading position and its solvency. In the event, the shortfall in student numbers and the associated income has been very much smaller than anticipated in the scenario planning. The Group currently has sufficient working capital to manage its activities and projects and anticipates that will continue to be the case; as well as having significant cash at bank and on deposit to support liquidity in the event of an adverse financial event. Having taken account of risk and uncertainty, the Board considers that the institution has adequate resources to continue in operation for the foreseeable future and for this reason, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

During the year, the remaining reserves of the Centre for Digital Documentation and Visualisation LLP were shared between its two members, GSA and Historic Environment Scotland. The LLP will now be wound up.

5. Exemptions under FRS 102

The Group has taken the exemption under section 3.3 of the SORP (1.12(b) of FRS 102) to not produce a cash flow statement for the School in its separate financial statements.

6. Basis of consolidation

These financial statements comprise the results of the School and of its Group. The group financial statements include the School and its subsidiary, GS of A Singapore Pte Ltd, and its joint venture with Historic Environment Scotland, The Centre for Digital Documentation and Visualisation LLP (CDDV). 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.

The activities of the GSA Students' Association and GSA Enterprises Ltd (which is in the process of being liquidated) have not been consolidated because Glasgow School of Art does not does not exert control or dominant influence over policy decisions.

The Centre for Digital Documentation and Visualisation LLP (CDDV) stopped trading by its financial year end of 31 March 2020 with the reserves distributed amongst the two members post 31 March 2020. CDDV is now in the process of being wound up and struck off and is not a going concern.

7. Recognition of Income

Government revenue grants including funding council block grant and research grants are recognised in income over the periods which GSA 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. 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 Statement Comprehensive Income to specific endowments.

In the Glasgow School of Art Development Trust's financial statements, the pledges and funding from the UK Government and matched funding 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.

Funds received and disbursed as a paying agent on behalf of a funding body or other body, where GSA 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.

8. Interest receivable

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

9. Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method 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.

10. Pension Schemes

Glasgow School of Art 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 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 GSA 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, GSA has utilised the provisions of FRS 102 whereby the contributions to the scheme are recognised as if it were a defined contribution scheme. The cost recognised within the 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 GSA would only contribute if the employee was ineligible to join one of the two main public sector schemes.

11. Employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service. Any unused benefits, such as holiday entitlements earned but not taken at the balance sheet date, are accrued and measured as the additional amount expected to be paid as a result of the unused entitlement.

12. 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.

13. 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 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.

14. Property, plant and equipment

Land and Buildings

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 15 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 2020. They are not depreciated until they are brought into use.

Maintenance of Premises

The cost of routine maintenance is charged to the Statement of

Comprehensive Income as incurred.

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.

Impairment
A review for impairment of property, plant and equipment is carried out if events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable

15. Assets held for the Nation: Heritage Assets

Glasgow School of Art holds and conserves heritage assets for future generations. As a general policy, heritage assets are recognised in the Balance Sheet where there is information available 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. GSA does not intend to dispose of heritage assets. The carrying value is based on the insurance value as at 31 July 2019 and was carried out by Axa Art, independent valuers. No valuation was performed as at 31 July 2020 due to the impact of Covid-19 but the Board are satisfied that the insurance value as at 31 July 2019 is an appropriate basis for including these assets in the 2020 financial statements.

16. Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment in the Balance Sheet. The joint venture with Historic Environment Scotland, CDDV LLP, is accounted for under the net equity method.

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

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

17. Stocks

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

18. 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.

19. Debtors

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

20. 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.

21. Salix loan

Salix is a non-departmental public body, owned wholly by Government and provides Government funding to the public sector to improve energy efficiency, reduce carbon emissions and lower energy bills. In line with FRS 102, the School has made an accounting policy choice to recognise this loan as a public benefit concessionary loan meaning that the loan is recognised at its principal value on initial recognition.

22. 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 recognition of income on a systematic basis over the period in which the related costs for which the grant is intended to compensate are recognised.

23. 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.

24. 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.

25. Provisions

Provisions are recognised when the School or Group 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.

26. Financial instruments

The School and Group 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 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 or Group 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.

27. Taxation Status

Glasgow School of Art 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 Scottish Charity Regulator (Charity No. SC012490). Accordingly, GSA is potentially exempt from taxation in respect of income capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 the extent that such income or gains are applied to exclusively charitable purposes. GSA receives no similar exemption respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated tangible fixed assets is included in their cost.

The subsidiary commercial company, GS of A Singapore Pte, is subject to the tax laws of Singapore.

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

28. Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for 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 income stream for the general benefit of GSA.

Restricted expendable endowment – the donor has specified a particular objective allowing conversion of the endowed capital into income.

29. Critical accounting estimates and judgements

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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 expected life cycles.

Recoverability of debtors
Bad debt provisions are incorporated where deemed necessary based 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
The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. The assumptions of the scheme's actuary have been reviewed and are considered reasonable and appropriate.

Due to the complexity of the revaluation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Recognising that, the financial impact of that uncertainty is quantified in the sensitivity analysis of the principal assumptions used to measure the scheme liabilities included in note 31.

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

Mackintosh project
Following the fire in June 2018, the capital value of the works performed to date in restoring the Mackintosh Building from the first fire in 2014 was fully impaired as part of the financial statements for the year ended 31 July 2018. The costs incurred in 2018/19 and 2019/20, in respect of stabilising the remaining structure and site clearance costs have been expensed.

Stow Building
A grant was received in respect of the Stow Building that has been included within Deferred Capital Grants. This grant has been allocated fully against the structure of the Stow Building and will be amortised over the useful life of the structure, which is 50 years

Notes to the financial statements

1 Tuition fees and education contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
Scotland and EU fees	**3,686**	**3,686**	2,942	2,942
RUK fees	**3,427**	**3,427**	3,655	3,655
Non-EU fees	**10,465**	**9,436**	8,983	7,819
Education contracts	**547**	**547**	402	402
Non-credit bearing course fees	**245**	**245**	341	341
	18,370	**17,341**	16,323	15,159

2 Funding body grants

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
General fund - Teaching	**7,786**	**7,786**	7,794	7,794
General fund - Research and Knowledge Exchange	**1,711**	**1,711**	1,843	1,843
Small specialist institution grant	**2,871**	**2,871**	2,871	2,871
Other SFC grants	**900**	**900**	845	845
Deferred capital grants released in year				
Buildings	**1,193**	**1,193**	1,087	1,087
Equipment	**100**	**100**	100	100
SFC Loan support grant	**-**	**-**	11	11
	14,561	**14,561**	14,551	14,551

3 Research grants and contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
Research councils	**685**	**685**	760	760
Research charities	**79**	**79**	(30)	(30)
Government (UK and overseas)	**1,846**	**1,846**	1,547	1,547
Industry and commerce	**129**	**129**	652	652
Other	**3**	**3**	288	288
	2,742	**2,742**	3,217	3,217

4a Other income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
Residences	**1,328**	**1,328**	1,758	1,758
Release from deferred capital grants (Non SFC)	**123**	**123**	32	32
Other income generating activities	**167**	**167**	200	200
Dividend paid from GSoA Singapore pte	**-**	**-**	-	575
Other income	**639**	**709**	633	754
COVID-19 Job Retention Scheme grant	**790**	**790**	-	-
Distribution from CDDV LLP	**-**	**-**	-	50
	3,047	**3,117**	2,623	3,369

4b Insurance income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
Insurance monies (including accrued income)	**15,513**	15,513	14,734	14,734

4c Development Trust income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
Development Trust income	**6**	-	(1,197)	(290)

The negative Development Trust income in the prior year relates to donations of £290k for the Campus Redevelopment Appeal that were returned to the individual donors. Funds were transferred back to The Glasgow School of Art Development Trust by GSA, with the Development Trust returning the donations to the donors. There was also £950k of previously pledged funding that was derecognised in the prior year at the request of the donors who originally made the pledge. The donors remain committed to GSA but they wish to utilise the funds to support their other projects when it is unlikely that GSA will be able to utilise the funds in the short term.

5 Investment income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
Investment income on endowments	**285**	**285**	243	243
Other investment income	**193**	**193**	61	61
	478	**478**	304	304

6 Segmental reporting

The group activities are carried out in Glasgow and Singapore. Group Turnover for these two markets is split as:

	Year ended 31 July 2020	Year ended 31 July 2019
	Consolidated £000	Consolidated £000
Glasgow	**53,662**	49,353
Singapore	**1,055**	1,202
	54,717	50,555

7 Staff costs

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
Salaries	**18,279**	**17,810**	18,250	17,812
Social security costs	**1,827**	**1,814**	1,903	1,803
Pensions	**3,300**	**3,290**	2,843	2,828
Pension FRS 102 service charge (note 31)	**1,222**	**1,222**	1,895	1,895
Severance and redundancy costs	**171**	**171**	807	807
Total	**24,799**	**24,307**	25,698	25,145

Staff costs per activity	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	School	Consolidated	School
	£000	£000	£000	£000
Academic	**9,706**	**9,214**	9,425	8,872
Academic support	**3,390**	**3,390**	3,422	3,422
Research	**2,908**	**2,908**	2,659	2,659
Other support	**2,181**	**2,181**	2,003	2,003
Admin and central services	**3,442**	**3,442**	3,689	3,689
Premises	**1,689**	**1,689**	1,697	1,697
Residences	**90**	**90**	101	101
Pension FRS 102 service charge (note 31)	**1,222**	**1,222**	1,895	1,895
Severance and redundancy costs	**171**	**171**	807	807
	24,799	**24,307**	25,698	25,145

The average number of staff employed by the School expressed as full-time equivalents was:	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	School	Consolidated	School
	Nos	Nos	Nos	Nos
Academic	**132**	**124**	131	123
Academic support	**86**	**86**	87	87
Research	**43**	**43**	44	44
Other support	**42**	**42**	39	39
Admin and central services	**48**	**48**	54	54
Premises	**57**	**57**	58	58
Residences	**2**	**2**	2	2
	410	**402**	415	407

Emoluments of Director	Year ended 31 July 2020	Year ended 31 July 2019
	Consolidated & School	Consolidated & School
Emoluments of former Director to 2 November 2018	£000	£000
Salary	-	41
Pension contributions	-	9
Contractual notice payment and related expenses	-	258
	-	308
Emoluments of Interim Director from 26 November 2018 - 24 May 2020		
Salary	**125**	106
Pension contributions	**28**	18
	153	124
Emoluments of new Director to from 25 May 2020		
Salary	**28**	-
Pension contributions	**6**	-
	34	-
Total emoluments of Directors		
Salary	**153**	147
Pension contributions	**34**	27
Contractual notice payment and related expenses	-	258
	187	432

The ratio of the remuneration of the Director to the median salary of a permanent staff member is 6.26:1 (2019: 5.51:1)

Compensation for loss of office payable to senior post holders	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated & School		Consolidated & School	
	Number	£000	Number	£000
Number of payments in excess of £100k during the year	-	-	1	258

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

	Year ended 31 July 2020	Year ended 31 July 2019
	Consolidated & School	Consolidated & School
	Number	Number
<£50,000	**5**	2
£50,001 to £60,000	**1**	1
£60,001 to £70,000	**1**	1
£70,001 to £80,000	-	5
£80,001 to £90,000	**7**	1
£90,001 to £100,000	-	2
£110,001 to £120,000	**1**	-
£120,001 to £130,000	**1**	1
£140,001 to £150,000	**1**	1
£160,001 to £170,000	-	1
£290,000 to £300,000	-	1
	17	16

The key management personnel emoluments are made up as follows:	Year ended 31 July 2020	Year ended 31 July 2019
	Consolidated & School	Consolidated & School
	£000	£000
Salaries	**1,263**	1,258
Compensation for loss of office	-	338
Employers national insurance	**188**	185
Pension contributions	**278**	227
Total emoluments	**1,729**	2,008
	Number	Number
The number of directors receiving benefits under defined benefit schemes:	**4**	4

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

	Year ended 31 July 2020	Year ended 31 July 2019
	Consolidated & School	Consolidated & School
	Number	Number
Nil	23	23
£25,001 to £30,000	1	-
£35,001 to £40,000	1	1
£40,001 to £45,000	1	-
£55,001 to £60,000	1	1
£60,001 to £65,000	1	1
£95,001 to £100,000	-	1
£140,001 to £145,000	-	1
£145,001 to £150,000	1	-
£295,001 to £300,000	-	1
	29	29

The Governors' emoluments are made up as follows:	Year ended 31 July 2020	Year ended 31 July 2019
	Consolidated & School	Consolidated & School
	£000	£000
Salaries	**375**	435
Compensation for loss of office	-	258
Employers National Insurance	**73**	85
Pension contributions	**85**	77
Total emoluments	**533**	855

8 Other operating expenses

	Year ended 31 July 2020 Consolidated £000	School £000	Year ended 31 July 2019 Consolidated £000	School £000
Academic and related expenditure	**2,811**	**2,870**	2,460	2,416
Administration and central services	**2,031**	**1,989**	2,494	2,494
Premises	**4,043**	**4,015**	2,929	2,929
Residences, catering and conferences	**1,372**	**1,372**	1,583	1,583
Dev Trust expenditure	**11**	**-**	5	-
Research grants and contracts	**801**	**801**	975	975
Other expenses	**1,372**	**1,372**	965	965
	12,441	**12,419**	11,411	11,362
Asset impairment charge (note 13)	**3,505**	**3,505**	-	-

9 Campus redevelopment expenditure

	Year ended 31 July 2020 Consolidated £000	School £000	Year ended 31 July 2019 Consolidated £000	School £000
Mackintosh refurbishment and campus redevelopment costs:				
Business Interruption costs	**-**	**-**	5,188	5,188
Mackintosh Building debris clearance and stabilisation work	**4.295**	**4,295**	8,198	8,198
	4,295	**4,295**	13,386	13,386

10 Interest and other finance costs

	Year ended 31 July 2020 Consolidated £000	School £000	Year ended 31 July 2019 Consolidated £000	School £000
Mortgage and loan interest	**50**	**50**	65	65
Interest paid by SFC on loan support for Reid building	**-**	**-**	11	11
Net charge on pension scheme (note 31)	**282**	**282**	195	195
	332	**332**	271	271

11 Surplus/(deficit)

	Year ended 31 July 2020 Consolidated £000	School £000	Year ended 31 July 2019 Consolidated £000	School £000
The surplus is stated after charging for:				
External auditor's remuneration : audit of the financial statements	**21**	**21**	20	20
External auditor's remuneration : subsidiaries	**9**	**-**	6	-
External auditor's remuneration : corporate tax work	**1**	**1**	6	6
External auditor's remuneration : other audit work	**5**	**5**	6	6
Internal auditor's remuneration in respect of audit services	**24**	**24**	35	35
Internal auditor's remuneration other services	**-**	**-**	-	-
Depreciation - owned assets	**2,537**	**2,537**	1,930	1,930
Depreciation - financed assets	**36**	**36**	36	36
Operating leases - land and buildings	**1,635**	**1,635**	2,361	2,361

12 Taxation

	Year ended 31 July 2020 Consolidated £000	School £000	Year ended 31 July 2019 Consolidated £000	School £000
Recognised in the statement of comprehensive income				
Current tax				
School	-	-	-	-
Tax re GSofA Singapore Pte Ltd	66	-	65	-
Total tax expense	66	-	65	-

No corporation tax was due on the activities of the School (2019: nil).

13 Fixed assets

Group and School	Freehold Land and Buildings £000	Equipment and Fixtures & Fittings £000	Assets in the Course of Construction £000	Total £000
Cost/valuation				
At 1 August 2019	64,324	9,626	23,193	97,143
Additions	-	889	239	1,128
Impairment	(3,505)	-	-	(3,505)
Transfer to/(from) assets in the course of construction	23,432	-	(23,432)	-
Disposals	-	-	-	-
At 31 July 2020	**84,251**	**10,515**	**-**	**94,766**
Consisting of valuation as at:				
1 July 1995	15,890	-	-	15,890
Cost	68,361	10,515	-	78,876
	84,251	**10,515**	**-**	**94,766**
Depreciation				
At 1 August 2019	14,415	5,445	-	19,860
Charge for the year	1,683	890	-	2,573
Disposals	-	-	-	-
At 31 July 2020	**16,098**	**6,335**	**-**	**22,433**
Net book value				
At 31 July 2020	**68,153**	**4,180**	**-**	**72,333**
At 31 July 2019	49,909	4,181	23,193	77,283

Fixtures, fittings and equipment include assets held under finance leases as follows:	**As at 31 July 2020** £000	As at 31 July 2019 £000
Cost	-	446
Accumulated depreciation	-	(298)
Charge for year	-	(36)
Net Book Value:	-	112

Finance leases were fully repaid in the year and therefore no assets were held under finance leases at the year end.

Following their funding contribution to renovation works to the Mackintosh Building, Scottish Ministers hold a standard security, established in 2008, over that property.

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 extensive, fire. Given the extent of the damage, the value of the building was fully impaired, leaving only the land value within total fixed assets. The costs incurred in 2018/19 and 2019/20 in respect of stabilising the remaining structure and site clearance costs have been expensed.

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 £1,438,694 (2019: £1,548,632) 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)	**As at 31 July 2020**	As at 31 July 2019
Land and buildings have been included at valuation with the following amounts:	£000	£000
Increase from valuation of inherited buildings	**3,346**	3,346
Increase from valuation of purchased buildings	**877**	877
Aggregate depreciation on revalued amount	**(2,379)**	(2,283)
Net book value	**1,844**	1,940

The inherited land and buildings concerned were all inherited prior to the 1995 valuation at nil cost. The net book value is £1,413,986 (2018/19: £1,488,240).

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 archives and 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, more extensive, 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 heritage assets held by Glasgow School of Art Development Trust were donated with the intention being that they will be sold to realise their value.

The valuation disclosed in the Balance Sheet is based on the assessment of the insurance replacement value for the combined collections. These insurance valuations are updated, at least, annually and the most recent valuation was performed at June 2019. 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.

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
School				-	
Value of heritage assets acquired by donation	**12,719**	12,719	12,919	10,734	8,827
Adjustments to valuation or cost	**486**	-	(200)	2,185	1,907
Balances as at 31 July	**13,205**	**12,719**	**12,719**	**12,919**	**10,734**
Glasgow School of Art Development Trust					
Value of heritage assets acquired by donation	**66**	66	66	66	50
Group Total	**13,271**	12,785	12,785	12,985	10,784

15 Endowments

Group and School	**2020** £000	2019 £000
At 1 August 2019	**4,808**	4,579
Additions	**1,205**	-
Disposals	**(1,147)**	(199)
(Decrease)/increase in cash balances held at fund managers	**(45)**	273
Appreciation of endowment asset investments in year	**(118)**	155
At 31 July 2020	**4,703**	4,808

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.

The Centre for Digital Documentation and Visualisation LLP (CDDV) stopped trading by the its financial year end of 31 March 2020 with the reserves distributed amongst the two members post 31 March 2020. CDDV is now in the process of being wound up and struck off and is not a going concern.

	Year ended 31 July 2020 £000	£000	Year ended 31 July 2019 £000	£000
Statement of Comprehensive Income				
Net income		**(4)**		**49**
Balance sheet				
Fixed assets	**-**		-	
Current assets	**39**		**50**	
		39		**50**
Creditors: amounts due within one year	**-**		-	
Creditors: amounts due after more than one year	**(1)**		**(8)**	
		(1)		**(8)**
Share of net assets		**38**		**42**

16b Investment in subsidiaries

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

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Company	**Principal activity**	**Class of shares**	**Percentage owned**
GSofA Singapore pte	The principal activity of GSofA Singapore is the provision of degree level education in Singapore.	Ordinary	100%
The Glasgow School of Art Development Trust	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.	Ordinary	100%

17 Stock

	Year ended 31 July 2020 Consolidated £000	School £000	Year ended 31 July 2019 Consolidated £000	School £000
General consumables	**123**	**123**	**89**	**89**
	123	**123**	**89**	**89**

18 Trade and other receivables

	Year ended 31 July 2020 Consolidated £000	School £000	Year ended 31 July 2019 Consolidated £000	School £000
Amounts falling due within one year:				
Trade debtors	**735**	**725**	621	612
Debts due from students	**867**	**867**	597	597
Amounts due from subsidiary companies	**-**	**256**	-	160
Amounts due from related parties	**12**	**12**	12	12
Tax and social security	**8**	**8**	24	24
Prepayments and accrued income	**7,502**	**7,243**	3,956	3,325
	9,124	**9,111**	5,210	4,730
Amounts falling due in more than one year:				
Development funding debtor	**5,251**	**-**	5,257	-

19 Current asset investments

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
Bank deposits	-	-	9,000	9,000

20 Creditors: amounts falling due within one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
Trade creditors	**416**	**416**	641	641
Secured loans	**108**	**108**	103	103
Unsecured loan	**128**	**128**	128	128
Obligations under finance leases	-	-	28	28
Payments in advance	**1,952**	**1,952**	2,035	2,035
Deferred SFC funding	-	-	50	50
Deferred capital grants	**1,397**	**1,397**	1,437	1,437
Taxation and social security	**16**	-	41	-
Research contracts accrual	**2,273**	**2,273**	1,915	1,915
Corporate tax	**76**	-	64	-
Accruals and deferred income	**2,053**	**1,977**	3,097	2,961
	8,419	**8,251**	9,539	9,298

21 Creditors: amounts falling due in more than one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
Secured loan	**719**	**719**	827	827
Unsecured loan	**765**	**765**	893	893
Deferred capital grants	**59,655**	**54,655**	61,031	56,031
Obligations under finance lease	-	-	10	10
	61,139	**56,139**	62,761	57,761
Analysis of secured and unsecured loans:				
Due within one year or on demand (note 20)	236	236	259	259
Due after more than one year				
Due between one and two years	**243**	**243**	247	247
Due between two and five years	**769**	**769**	748	748
Due in five years or more	**472**	**472**	735	735
	1,484	**1,484**	1,730	1,730
Total secured and unsecured loans	**1,720**	**1,720**	1,989	1,989
Secured loans repayable by 2026	**827**	**827**	930	930
Unsecured loan	**893**	**893**	1,021	1,021
Finance leases	-	-	38	38
	1,720	**1,720**	1,989	1,989

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.

Salix loan: Repayable by bi-annual instalments until April 2027. This loan is a public benefit concessionary loan and is repayable with no interest charged over the duration of the loan.

Deferred Capital Grants

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

	Funding Council £000	Other grants & benefactions £000	Total £000
Group			
As at 1 August 2019			
Buildings	61,601	368	61,969
Equipment	499	-	499
	62,100	368	62,468
Released to Income and Expenditure			
Buildings	(1,193)	(123)	(1,316)
Equipment	(100)	-	(100)
	(1,293)	(123)	(1,416)
As at 31 July 2020			
Buildings	**60,408**	**245**	**60,653**
Equipment	**399**	**-**	**399**
	60,807	**245**	**61,052**
School			
As at 1 August 2019			
Buildings	51,601	5,368	56,969
Equipment	499	-	499
	52,100	5,368	57,468
Released to Income and Expenditure			
Buildings	(1,193)	(123)	(1,316)
Equipment	(100)	-	(100)
	(1,293)	(123)	(1,416)
As at 31 July 2020			
Buildings	**50,408**	**5,245**	**55,653**
Equipment	**399**	**-**	**399**
	50,807	**5,245**	**56,052**

22 Obligations under finance leases

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
Due within one year	-	-	38	38
Total obligations under finance leases	-	-	38	38

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 £nil (2018/19: £112k).

23 Provisions for liabilities

Group and School	**Pension on termination** £000	**Defined benefit obligation (note 31)** £000	**Total Pension Provisions** £000
At 1 August 2019	960	12,532	**13,492**
Income and expenditure movement	(78)	1,504	**1,426**
Actuarial loss	-	9,227	**9,227**
At 31 July 2020	**882**	**23,263**	**24,145**

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 current and prior year.

24 Endowment reserves

Group and School	Restricted permanent endowments £000	Expendable endowments £000	2020 TOTAL £000	2019 TOTAL £000
Balances at 1 August 2019				
Capital	4,437	371	**4,808**	4,579
Accumulated income	-	-	**-**	-
	4,437	371	**4,808**	4,579
Investment income	285	-	**285**	273
Expenditure	(272)	-	**(272)**	(199)
(Decrease)/increase in market value of investments	(118)	-	**(118)**	155
Total endowment comprehensive income for the year	(105)	-	**(105)**	229
At 31 July 2020	4,332	371	**4,703**	4,808
Represented by:				
Capital	4,319	371	**4,690**	4,734
Accumulated income	13	-	**13**	74
	4,332	371	**4,703**	4,808
Analysis by type of purpose:				
Prize funds	4,332	-	**4,332**	4,437
General	-	371	**371**	371
	4,332	371	**4,703**	4,808
Analysis by asset				
Current and non-current asset investments			**4,102**	4,163
Cash & cash equivalents			**601**	645
			4,703	4,808

Restricted permanent endowments are where the donor has specified the fund is to be permanently 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.

25a Restricted reserves

Reserves with restrictions are as follows:	**Year ended 31 July 2020** Consolidated £000	School £000	Year ended 31 July 2019 Consolidated £000	School £000
Campus redevelopment reserve				
Balances at 1 August 2019	**8,369**	**7,910**	9,571	8,200
Income	**6**	**-**	(1,197)	(290)
Expenditure	**(11)**	**-**	(5)	-
Total restricted comprehensive income for the year	**(5)**	**-**	(1,202)	(290)
At 31 July 2020	**8,364**	**7,910**	8,369	7,910
Analysis of other restricted funds/donations by type of purpose				
Campus redevelopment (including Mackintosh restoration)	**8,364**	**7,910**	8,369	7,910

The net movement in funds in the prior year in the GSA Development Trust was (£912k) as a result of the repayment of donations to donors of £290k and the derecognition of £950k of previously recognised pledges at the request of the donors who made the pledge.

25b Income and expenditure reserve

This reserve includes all current and prior year retained surpluses or deficits.

25c Revaluation reserve

The revaluation reserve consists of unrealised gains in respect of investments and the revaluation of properties.

26 Cash and cash equivalents

	Year ended 31 July 2020 Consolidated £000	School £000	Year ended 31 July 2019 Consolidated £000	School £000
Balance at 1 August	**8,826**	**8,186**	4,417	3,693
Cash flow, in year	**15,398**	**14,613**	4,409	4,493
Balance at 31 July	**24,224**	**22,799**	8,826	8,186

27 Consolidated reconciliation of net debt

	2020 £000
Net debt 1 August 2019	**(15,837)**
Increase in cash and cash equivalents	(15,398)
Deposits withdrawn	9,000
Repayment of borrowings	(269)
Net debt 31 July 2020	**(22,504)**
Change in net debt	(6,667)

Analysis of net debt	**2020** £000	2019 £000
Cash and Cash equivalents	**24,224)**	8,826
Current asset investments – short term deposits	-	9,000
Borrowings: amounts falling due within one year		
Secured loans	**108**	103
Unsecured loans	**128**	128
Obligations under finance leases	**-**	28
	236	259
Borrowings: amounts falling due after more than one year		
Obligations under finance lease	**-**	10
Secured loans	**719**	827
Unsecured loans	**765**	893
	1,484	1,730
Net debt (positive net cash position)	**(22,504)**	(15,837)

28 Lease obligations

Total rentals payable under operating leases:	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	School £000	Consolidated £000	School £000
Future minimum lease payments due:				
Not later than 1 year	**1,236**	**1,236**	1,231	1,231
Later than 1 year and not later than 5 years	**3,750**	**3,750**	3,750	3,750
Later than 5 years	**13,573**	**13,573**	14,510	14,510
Total lease payments due	**18,559**	**18,559**	19,491	19,491

All lease obligations at the current and prior year ends relate to land and buildings.

29 Subsidiary and Joint Venture undertaking

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 2020.

The transactions between GSA and GSofA Singapore related to management costs paid from GSofA Singapore to GSA of £96,333 (2019: £159,788). As at 31 July 2020, a debtor of £256k (2019: £160k) is outstanding at the year end.

No dividend has been declared by GSofA Singapore Pte in the current year (2019: £575k).

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 heritage sites both in Scotland and internationally and the School undertakes work, at arm's 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 £4,000 (2019: surplus of £49,000). The value of the investment in the joint venture at the year-end is £38,000 (2018: £42,000); £nil (2018: £nil) is included in debtors at the year end.

During the year, GSA received a distribution of £39,000 (2019: £50,000) from CDDV LLP.

GSA provided services to CDDV LLP of £5,737 (2019: £107,412).

The financial statements of CDDV LLP 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 support the major capital priorities of The Glasgow School of Art. Following the 2014 fire in the Mackintosh Building the Trust delivered the Mackintosh Campus Appeal to support the School to recover from the consequences of the fire. 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 2020.

During the year no funds were donated by The Glasgow School of Art Development Trust to GSA. However, in the prior year £290,000 of donations were repaid by GSA to the Development Trust and then by the Development Trust to the donors. In addition to this, £950k of previously recognised pledged donations were derecognised by the Development Trust in the prior year at the request of the donors.

30 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 (which is in the process of being liquidated) 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.
- 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. The loan balance at 31 July 2020 is £60,000 (2019: £60,000). A bad debt provision of £60,000 (2019: £60,000) has been made in respect of this loan to leave a net balance of £nil (2019: £nil). During the year £12,000 was charged to GSASA Limited in respect of rent. The balance owed to GSA at the year end, and included in debtors, is £12,340. During the year, the School incurred expenditure on behalf of GSA Student Association of £8,626 (2019: £nil).

Notes

31 Pension schemes

The School's employees belong to two principal pension schemes: the Scottish Teachers' Pension Scheme (STPS) 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 £1,557,000 for the Group and School (2018/19: £1,453,000 for the Group and School) and the cost of the STPS was £1,677,000 for the Group and School (2018/19: £1,313,000 for the Group and School). Other pension costs totalled £70,000 for the Group and £56,000 for the School (2018/19: £77,000 for the Group and £62,000 for the School).

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 2020. The employer contribution rate for the period from 1 August 2019 to 31 July 2020 was 20.5% of pay. The employee contribution rate was variable during 2019-20 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	**2020**	2019
Pension increase	**2.20%**	2.40%
Salary increase rate	**3.30%**	3.60%
Discount rate	**1.40%**	2.10%

Mortality assumptions

The average future life expectancies at age 65 used to determine benefit obligations are as follows:	**Male**	**Female**
Current pensioners	20.7 years	22.9 years
Future pensioners	22.2 years	24.6 years

Fair value of the plan assets and the return on those assets were as follows:	**2020 £000**	2019 £000
Equities	**29,759**	30,559
Bonds	**11,809**	11,283
Property	**5,196**	4,701
Cash	**473**	470
	47,237	47,013

Analysis of the amount shown in the balance sheet	**2020 £000**	2019 £000
Fair value of plan assets	**47,237**	47,013
Present value of funded benefit obligations	**(70,500)**	(59,545)
Pension liability	**(23,263)**	(12,532)

Analysis of the amounts charged to Profit & Loss	**2020 £000**	2019 £000
Service costs	**3,438**	2,624
Past service costs	**(508)**	717
Employer contributions	**(1,708)**	(1,446)
	1,222	1,895
Interest on plan assets	**(1,001)**	(1,207)
Interest cost on defined benefit obligation	**1,283**	1,402
Net interest	**282**	195
Net charge on pension liability to SOCI	**1,504**	2,090
Actual return less expected return on pension scheme assets	**(2,136)**	2,090
Experience gains and losses arising on the scheme liabilities	**271**	-
Changes in financial assumptions underlying the present value of the scheme liabilities	**(7,362)**	(6,512)
Actuarial (loss) recognised in Other Comprehensive Income	**(9,227)**	(4,422)

Analysis of movements in present value of the scheme liabilities	2020 £000	2019 £000
Opening defined benefit obligation	**59,545**	48,614
Current service cost	**3,438**	2,624
Past service cost	**(508)**	717
Interest cost	**1,283**	1,402
Contribution by members	**504**	474
Actuarial losses	**7,362**	6,512
Experience gains and losses	**(271)**	-
Benefits paid	**(853)**	(798)
Closing defined benefit obligation	**70,500**	59,545

Analysis of movements in fair value of the scheme assets	2020 £000	2019 £000
Opening fair value of employer assets	**47,013**	42,594
Expected return on assets	**1,001**	1,207
Contributions by members	**504**	474
Contribution by employer	**1,708**	1,446
Actuarial (losses)/gains	**(2,136)**	2,090
Benefits paid	**(853)**	(798)
Closing fair value of employer assets	**47,237**	47,013

The School expects to contribute approximately £1,549k to the Strathclyde Pension Fund in the next year. The cumulative actuarial loss at 31 July 2020 was £11,943k (2018/19: loss of £2,716k).

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 2020	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12%	8,652
0.5% increase in the Salary Increase Rate	2%	1,482
0.5% increase in the Pension Increase Rate	10%	6,937

Scottish Teachers' Pension Scheme (STPS)
Glasgow School of Art participates in the Scottish Teachers' Pension Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016.

Glasgow School of Art has no liability for other employers' obligations to the multi-employer scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme.

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

The employer contribution rate for the period from 1 April 2019 is 17.2% increasing from 1 September 2019 to 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age.

The cost cap will be reconsidered once the final decision on a remedy and how this affects the Scottish Teachers' Pension Scheme is known and its impact fully assessed in relation to any additional costs to the scheme.

There were no outstanding pension contributions at the year end.

32 Bursary and Other Student Support Funds

	Hardship £000	Childcare £000	2020 Total £000	2019 Total £000
Balance brought forward at 1 August 2019	-	-	-	-
Funds received in year	141	21	162	168
Expenditure	(141)	(21)	(162)	(168)
Balance carried forward at 31 July 2020	-	-	-	-

33 Contingent asset

At the time of the fire in June 2018, the Mackintosh Building was covered by an owner controlled insurance program, designed to coordinate general liability coverage for all eligible parties working on the construction project.

That insurance comprises two elements, covering the contract works and the pre-existing structure. Interim payments made by the insurers in relation to the contract works have been recognised as income in the periods in which they were received. The value and method of receipt of sums relating to the existing structure have still to be agreed, so represent a contingent asset.

34 Prior-year adjustment

Following the fire in June 2018, the Mackintosh building was impaired down to the carrying value of the land. As the Mackintosh Building had previously been revalued, part of the impairment should have been charged against the revaluation reserve. Thus, the revaluation reserve has been overstated and the income and expenditure reserve has been understated by £5,611k as at 1 August 2018. As a result, a prior year adjustment has been posted to correct the position at 1 August 2018. This has no effect on the previously stated net asset position.

THE GLASGOW SCHOOL OF ART