

# THE GLASGOW SCHOOL OF ART

ANNUAL REPORT AND  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
31 JULY 2022

SC002271



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# INTRODUCTION



The Directors present their Annual Report and the audited Financial Statements for the Year ended 31 July 2022. 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, now dissolved, 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

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Patron	The former Prince of Wales and Duke of Rothesay
Hon. President	Mr Stewart Grimshaw
Hon. Vice President	Professor Anthony Jones
Chair	Ms Ann Priest MBA FRSA Ctext FTI (from 27 June 2022) Ms Muriel Gray BA (Hons), FRSE (until 30 September 2021)
Interim Chair and Vice Chair	Ms Kristen Bennie BA (from 4 October 2021, until 27 June 2022)
Vice Chair	Mr Habib Motani (from 1 November 2020) Ms Lesley Thomson (until 4 October 2021)
Director	Professor Penny Macbeth BA(Hons), MA, FHEA
Deputy Director (Academic)	Mr Allan Atlee
Deputy Director (Research & Innovation)	Professor Irene McAra-McWilliam OBE
Director of Finance	Mr Andrew Menzies
Registrar and Secretary	Dr Craig Williamson LLB (Hons), PG Cert, MSc, PhD (until 15 April 2022)
Interim Registrar and Secretary	Stephen Marshall (from 29 September 2022)
Company Secretary	Mr Andrew Menzies (from 4 May 2022)

## Advisors

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Solicitors	Thorntons Law LLP Whitehall House, 33 Yeaman Shore, Dundee DD1 4BJ
External Auditor	Anderson Anderson & Brown Audit LLP 1 Lochrin Square, 92 Fountainbridge, Edinburgh, EH3 9QA
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

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### Past, present and future

The UK's first school of art, the Foulis Academy, was established in Glasgow in 1753 to deliver a 'European-style art education'. This institution reflected the importance Glasgow placed on education, art and culture to the City's economic and social development and success.

The Academy was followed in 1845 by the opening of the Glasgow Government School of Design one of the first Government Schools of Design as a centre of creativity promoting good design for the manufacturing industries, at a time when Glasgow was an international industrial power-house.

Today we are the Glasgow School of Art (GSA), an institution that 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.

GSA is a diverse community of 3,500 students and staff and over 22,000 alumni working and practicing across the world. We are global, internationally significant and influential as a leading centre for studio based creative education and research. Today with campuses in Glasgow and a significant rural hub in Altyre in the Highlands of Scotland, our ability to work across two places, rural and urban offers considerable opportunities for our education and research and the contribution and impact we can make.

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.

Glasgow is an entrepreneurial city, the largest economy in Scotland with the third-highest GDP per capita of any city in the UK, and Glasgow's creative industries are a major source of economic growth and employment. The City's creative industries, together with its major cultural institutions, including The Glasgow School of Art, have a global reputation and influence that builds on Glasgow's position as a European cultural capital, making it one of the UK's most successful city-economies. The GSA has a significant role to play from the economic impact of our staff, and students, and with nearly 60% of our graduates remaining in the city working within the creative and cultural industries, the wider economy or through establishing their own businesses. Importantly, they all contribute to the City's cultural infrastructure through exhibitions, events and their international networks.

### 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.

## Overview of 2021/22

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The start of a new academic session in 2021/22 saw GSA take its first steps into post-pandemic operations, the hallmark of which was a welcome return to in-person teaching. As the year progressed, the formal restrictions gradually began to reduce, and we were pleased to return to our more normal modes of teaching and assessment, and most excitedly, the return of physical undergraduate and postgraduate showcases.

The relaxation in public anxieties and global travel restrictions, also signalled the recovery of student recruitment, with the decline in student numbers of the previous year being wholly reversed, and actually representing growth on pre-pandemic levels.

The outcomes of the 2021 Research Excellence Framework (REF 2021) assessment were published in May of this year, with 82% of our research overall being assessed as either 4\* or 3\* (world leading or internationally significant). Our scores improved in each category compared to REF 2014, reflecting the excellent work undertaken by our researchers, and the effectiveness of the procedures we put in place to identify and articulate good research, a particularly pleasing result given the additional challenges of preparing for REF during a pandemic and following two fires.

Our efforts to plan and deliver a systematic response to the Enhanced Led Institutional Review of GSA in 2020 were rewarded this year, when QAA's re-review concluded that GSA now has effective arrangements for managing academic standards and the student experience. One of the commendations in the ELIR Re-review was the identifiable shift in culture across the GSA, not only in the development of our response to the ELIR but also in the development of our new strategic plan.

The National Student Survey (NSS) provides an opportunity for final year, undergraduate students to give their honest feedback about what it has been like to study on their course. 76% of GSA students responded to the survey this year, higher than both the Scottish sector-wide response (72%) and the UK-wide response (69%). The survey saw overall satisfaction at GSA improve by 12% points from 53% last year to 65% this year, driven by a positive movement in all but one of the eight themes.

Our other students, at both post graduate and undergraduate level, are invited to contribute to our internal student experience survey (SES) using, for the first time this year, the same question set as NSS. At undergraduate level, the SES overall satisfaction increased from 53.4% in 2021 to 70.5% in 2022, an increase of 17.1%. For postgraduate taught students, the SES overall satisfaction increased from 64.9% to 77.9%, an increase of 13.0%.

Our Estate has inevitably seen major change in recent times. At the end of last year, we were fortunate enough to secure the funding from the Scottish Funding Council's Financial Transactions Scheme in the form of a £10m loan, for an extensive programme of work at the Stow Building to create an environment consistent with the needs of our workforce and expectations of our students and to address opportunities for energy and carbon savings. During this year we have been planning the nature and extent of that work, with a view to its execution in the coming year.

There was material consequential damage to the Reid, Bourdon and Assembly Buildings, arising from the 2018 Mackintosh Building fire. In the aftermath of the fire, the value of those buildings was impaired. The remedial work to the Bourdon Building and the Assembly Building was completed in the early part of this year, and we continue to plan for the initiation of the works at the Reid Building in the coming year.

Last year, the Board of Governors approved the Strategic Outline Business Case to consider and evaluate the options for GSA to respond to the impact of the 2018 fire on the world-renowned Mackintosh Building. It identified a preferred solution, as a faithful reinstatement of the building, which will meet GSA's academic and institutional needs of today, whilst reflecting the architectural, historical and emotional significance of the building, the expectations and aspirations of the local community, and will have the potential to strengthen the cultural and economic performance of the Glasgow City Region and beyond. Up to the end of last year, on-site works at the Mackintosh Building continued to focus on stabilising the remaining structure and clearing debris. This year marked a transition from work associated with clearance and stabilisation to one where we began our preliminary efforts relating to the building's reconstruction; that transition was further marked by the issue of a competitive tender for the appointment of a design team for the building's reconstruction.

## Our Plan for Our Future: Strategic Plan 2022-2027

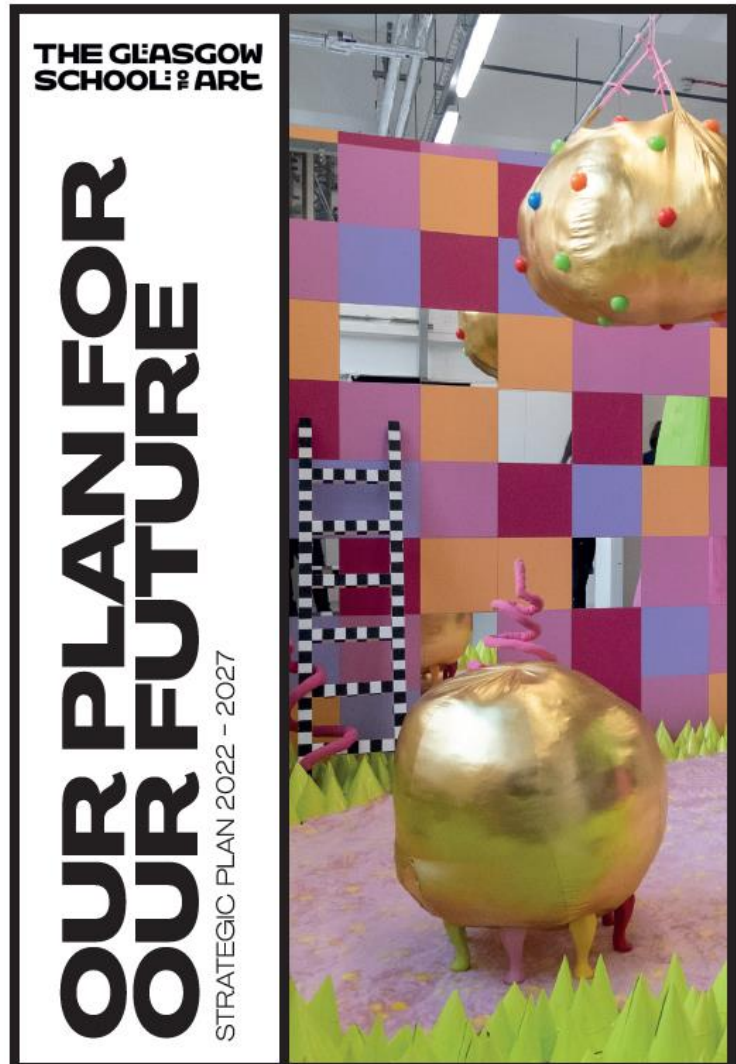
Our Plan for Our Future: Strategic Plan 2022-2027 articulates the collective ambition for the future direction of The Glasgow School of Art. It has been developed collaboratively. We have engaged with over 400 internal and external stakeholders from across the GSA's community of staff, students, graduates and partners to inform, alongside externally produced foresight research and rigorous self-reflection and iteration, the development of our ambition for the future of The Glasgow School of Art and our Strategic Focus to 2027.

### Our ambition

Through our people, our education and our research, we empower change and create impact that is both transformative and collaborative.

### Our values guiding our behaviour and decision making

- Rooted in studio, making and collaboration.
- Deep specialism alongside interdisciplinary practice.
- A rich partnership approach to education, research and innovation.
- A culture that enables and empowers us in everything we do.
- A responsible and caring culture that values our people and our environments.
- A sustainable and equitable approach to our work.
- Always looking forward, while celebrating our past.



### Our strategic focus to 2027

- **Transform our distinct models of creative education**  
Valuing our disciplinary strengths and traditions, we will deliver new inclusive ways of learning and teaching that provide greater opportunities for collaboration and flexibility, giving students more agency over how they learn and ways to make a positive impact through their practice.
- **Impact through creative research, innovation and partnership**  
Groundbreaking, dynamic, experimental and in partnership with organisations and individuals that share our mutual values and ambitions, together we will contribute to new knowledge and demonstrate the role of creative people and practice on society.
- **A sustainable, independent art school**  
Our practices, procedures and administrative systems will be creative, simple and efficient. We will energise our people, our resources and commitment to addressing the climate and ecological emergencies through innovation and working in a collaborative and transparent way.

Each one of these has clearly articulated aims and a number of key performance indicators, set out on the following pages.



## Transform our distinct models of creative education

By 2027 our education will be renowned for the ways in which it positively transforms the lives of our students and those who benefit from the work they go on to do.

To achieve this, we will work in partnership with our students to continuously enhance our pedagogies and curriculum, ensuring all students have equal opportunities to succeed, realise their ambitions and make a positive contribution to their communities.

We will prioritise the student experience, including investing in our learning resources – workshops, library and technologies, archives and collections and cultural engagement, ensuring they all support student success.

Our themes	Our focus in 2022/23
Equip our students for the world	<ul style="list-style-type: none"> <li>Implement our Academic Framework</li> </ul>
Develop new ways to study	<ul style="list-style-type: none"> <li>Prototype low residency programmes</li> <li>Develop the infrastructure for CPD and micro-credentials</li> <li>Review the shape of GSA</li> </ul>
Inclusive and intercultural	<ul style="list-style-type: none"> <li>Collaboratively develop new Internationalisation Strategy</li> <li>Commence a multi-year project to map the student journey into, through and 'up and out' of the GSA</li> <li>Develop a strong planning and admissions monitoring function</li> <li>Review our approach to Fair Admissions</li> </ul>
Rethink how we work together	<ul style="list-style-type: none"> <li>Building on innovations adopted during COVID we will review options for a single access point to all central services</li> <li>As part of our collaboratively developed student recruitment strategy we will achieve coherence and consistency in our approach</li> </ul>

Our outcomes
Strategic portfolio developments to capitalise on new and interdisciplinary opportunities
New and more flexible ways to study, conducive to life-long learning. Working with schools and colleges in Scotland and abroad, increasing our articulation activity
A coherent portfolio of programmes with clear routes into and through our pre-degree, undergraduate, and postgraduate levels of study
Refreshed and contemporary curricula, with embedded core literacies across all academic schools and interdisciplinary opportunities
Increased student mobility, placements, live projects and partnership opportunities

Our lead indicators	Baseline 2020/21	Target 2026/27
Final year UG % student satisfaction	53%	85%
Postgraduate taught % student satisfaction	69%	85%
Sustaining excellent student retention	97.4%	98%
Graduate outcomes – positive outcomes (hesa)	70%	75%
Growth through developing new ways to study at GSA through new routes and modes of delivery	2,270 FTE	2,870 FTE

## Impact through creative research, innovation and partnership

Our focus to 2027 is to create the environment in which our researchers can thrive, collaborate and deliver impact. We will establish new Research Labs as place-based centres for the concentration of our research, innovation and knowledge exchange activities, creating a knowledge ecology that supports our future research and educational ambitions.

Our Labs will provide richer ways to collaborate together, engendering a positive and supportive environment for our staff. They will facilitate research intensity and growth, develop our research culture, support internal collaboration and create the conditions to attract new and more diverse research partnerships, growing its research intensity, income and impact.

The global community faces a complex range of critical issues including the climate emergency; sustainability; health and wellbeing; gender, race and social injustice; cultural and educational development. Addressing these issues requires adaptable problem-solvers with expertise in creative complexity to collaborate and work across disciplines.

Our researchers do this, moving with great agility between the digital and physical realms, producing work that inspires people to see the world around them differently. They actively demonstrate the role of creative people and practice for the benefit of society, giving shape and form to ideas and concepts that do not yet exist and co-design solutions for positive change in a range of settings from local, to global making the world a better place.

Our themes	Our focus in 2022/23
High-quality impactful research	<ul style="list-style-type: none"> <li>Develop new research strategy</li> </ul>
Collaboration and interdisciplinarity	<ul style="list-style-type: none"> <li>Develop our REF themes to define new impact case studies</li> <li>Support creation of new networks and collaborations</li> <li>Develop an enhanced understanding of creative practice research</li> </ul>
Place-based and partnerships	<ul style="list-style-type: none"> <li>Initiate development of Rural Lab Research Centre</li> <li>Develop long-term regional partnerships</li> <li>Develop capacity and talent through key appointments</li> </ul>
Grow research intensity	<ul style="list-style-type: none"> <li>Use REF themes and emergent areas to formulate bids</li> </ul>
Research Culture	<ul style="list-style-type: none"> <li>Create a programme of mentorship and training</li> <li>Develop our approach for Research Teaching linkages</li> </ul>
Postgraduate Research Community	<ul style="list-style-type: none"> <li>Develop strategy for PGR</li> <li>Philanthropic support</li> <li>Recruitment, retention and presentation</li> </ul>
Maximise our heritage	<ul style="list-style-type: none"> <li>Develop Mackintosh-based research themes</li> </ul>

### Our outcomes

Implement our new Research Strategy building on our REF2021 identified strengths, weaknesses and competitive performance.

Establish new Research Labs, focusing on place-based opportunities and strengths, bringing together research activities, people and areas of excellence into coherent groupings to maximise collaboration, income, high quality research outcomes and impact.

Invest in people, developing and empowering our academic colleagues and attracting the best to work with us.

Deliver a programme of innovation and knowledge exchange projects linked to the Mackintosh Building Project that supports and prototypes our academic vision for the future of the Mackintosh Building.

Increased student mobility, placements, live projects and partnership opportunities

### Our lead indicators

	Baseline 2020/21	Target 2026/27
% of outputs returned to the REF as 3* and above	75.5%	85%
% of REF impact case studies rated as 3* and above	87.5%	95%
20% increase in number of postgraduate research students	65 headcount	82 headcount
Total research income	£2.010m	£3.5m

## A sustainable, independent art school

By 2027 we will have started the transformation of our Glasgow campus to support our academic ambitions and commitment to net zero, invested in our staff and ensured all parts of the GSA are contributing to our financial sustainability, in order to secure our future ambitions.

As a small, specialist, highly focused art school with a global reputation, we will continue to build our reputation and extend our reach, working in partnership with others and ensuring our students and staff have the best experience of studying and working here. This means we need to consider how to improve the way we work and the important role of all our staff and their contribution to us in achieving our strategic ambitions.

We will engage all our staff in our plans for the future of the GSA and enable them to realise their inherent potential to effect change. We will empower them to maximise the effectiveness of our estate, IT and digital infrastructure and work to diversify our income streams allowing us to focus our investment areas of strategic priority. We want them to reinvigorate existing relationships and build new partnerships locally and internationally and be confident in articulating the values of the GSA, the creative education and research we undertake and the impact of our staff, students and graduates.

Our themes	Our focus in 2022/23
Develop ethical leadership	<ul style="list-style-type: none"> <li>• Develop new working models</li> <li>• Introduce leadership development to support priorities and build capability</li> <li>• Implement a mature model of staff engagement and communication</li> <li>• Develop our sustainability framework and associated climate action plan</li> </ul>
Nurture talent and capability	<ul style="list-style-type: none"> <li>• Development of potential career tracks and resources that support career progression</li> <li>• Review career review and development process</li> </ul>
Invest in our future estate	<ul style="list-style-type: none"> <li>• Agree estates strategy</li> <li>• Commence planned projects at the Reid Building and Stow Building</li> <li>• Implement plans for student accommodation in Altyre</li> <li>• Progress reinstatement of the Mackintosh Building</li> <li>• Develop a digital strategy for the GSA</li> </ul>
Be financially sustainable	<ul style="list-style-type: none"> <li>• Dispose of surplus buildings and vacate leased property</li> <li>• Refresh the rolling 5-year financial plan</li> <li>• Develop a new philanthropy strategy</li> </ul>
Radically improve our efficiency	<ul style="list-style-type: none"> <li>• Develop options to reduce single points of failure, maximise efficiency and develop specialism and expertise</li> </ul>
Communicate clearly	<ul style="list-style-type: none"> <li>• Collectively refresh our narrative</li> <li>• Commence redevelopment of our website</li> <li>• Collaboratively develop a new Student Recruitment Strategy</li> <li>• Develop how GSA Creative Network and Development Office are mutually supportive</li> </ul>

### Our outcomes

Implemented our People Strategy developing our people across the GSA, empowering them to succeed and thrive through a culture underpinned by ethical leadership and an inclusive, respectful environment

Commenced implementation of our Estates masterplan and our strategy for net zero

Commenced the rebuilding of the Mackintosh Building as an integrated part of our Estates masterplan and academic ambitions

Supported areas of income generation, partnership and growth, achieving an annual operating surplus to invest in our future

Grown our philanthropic support across scholarships and student support, learning infrastructure, research excellence and capital development

Implemented better processes, systems, information management and internal communication, decluttering the organisational landscape to make us more efficient, effective, collaborative, transparent and evidence-based in our decision making

Refreshed our narrative reflecting our contemporary ambitions, our heritage and our place, creating closer relationships with our neighbours and key stakeholders and maximising the potential of our Creative Network

Our lead indicators		
	Baseline 2020/21	Target 2026/27
Staff engagement	75%	85%
Staff turnover	14.5%	±2% of Scottish HEI median
Operational carbon footprint	1,688.9 t CO <sub>2</sub> e	tbc
Quality of physical estate and digital infrastructure	B/C	tbc
Underlying operating surplus	-1.3%	4%
Financial liquidity	214 days	105 days
Financial gearing	30%	45%



## Principal risks and uncertainties

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In recent years, key among our principal risks and uncertainties has been the heightened risk arising from the unprecedented circumstances of the COVID-19 pandemic. It would be remiss to start a review of our principal risks and uncertainties without noting that as those circumstances subside, so the associated risks abate, particularly that of massively reduced student enrolments. However, we will maintain mechanisms to manage expenditure responsively to any new emergent threats, and operationally, we now have the infrastructure and well-practiced protocols to support any flexibility required to maintain continuity of work or study, and to maintain a campus that is safe for staff and students.

### Student experience

GSA has been conscious of the work required to improve perceptions of the student experience, as judged by measures such as the National Student Survey (NSS) and our internal Student Experience Surveys (SES) and has implemented plans to seek to reverse recent adverse trends. While that work must be intensified and sustained, improved survey results suggest that our efforts to improve the student experience are being recognised.

Our NSS outcome saw overall satisfaction at GSA improve by 12% points from 53% last year to 65% this year; while at undergraduate level, the SES overall satisfaction increased from 53.4% in 2021 to 70.5% in 2022, an increase of 17.1%, while, for postgraduate taught students, the SES overall satisfaction increased from 64.9% to 77.9%, an increase of 13.0%, the previous year's result having already been a 26% increase on the year before that.

Following the assessment of limited effectiveness arising from the Enhanced Led Institutional Review of GSA in 2020, a project was established to plan and deliver a systematic response. Our efforts were rewarded this year, when QAA's re-review concluded that GSA now has *'effective arrangements for managing academic standards and the student experience'*.

While encouraging, these survey results and quality outcomes only represent our first steps in embedding improvements in the student experience. Our strategic plan targets of 80% overall satisfaction for NSS and 85% overall satisfaction in the PGT SES will rely on our plans to enhance partnership working with students, deliver continued improvements to the student experience and ensure academic standards.

### Generating income

Key among the risks GSA faces, is its ability to recruit sufficient students or to secure sufficient funding to ensure its financial sustainability. 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 promote the attractiveness of its offering, the success of which continues to be evidenced in a strong stream of applications from well-qualified students. Our new strategic plan establishes a commitment - through developing new ways, new routes and new modes to study at the GSA - to achieving growth in student numbers, and so tuition fee income. It also commits - through high-quality, impactful research and knowledge exchange focused around our areas of research excellence, partnership and inter-disciplinary research - to grow our research intensity and income.

### Physical environment

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 and in supporting efforts to improve environmental sustainability.

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. Our early mitigation of those risks were centred on the acquisition and refurbishment of the Stow Building to form studio, technical support, workshop and ancillary spaces for the School of Fine Art. We will utilise the recent loan, from the Scottish Funding Council under the Universities Financial Transactions Programme, to fund the further improvements to carbon efficiency and student and staff experience at the Stow Building.

Our Strategic Plan builds on those efforts through its commitment to marshal insurance receipts and other resources to complete the reinstatement of the Reid Building façade and to commencing the rebuilding of the Mackintosh Building. GSA recognises the challenge of funding the faithful reinstatement of the Mackintosh Building envisaged in the Strategic Outline Business Case. Our mitigation of that risk focusses on both the careful consideration of the management and phasing of the reinstatement project, and the systematic management of the associated financial and cash-flow issues - including the complex insurance claim, application of restricted funds held or pledged to support the project and progressing, if and when appropriate, the potential for philanthropic support.

## Duty to promote the success of the Company

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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;

During the year GSA published a new strategic plan 'Our Plan for Our Future: Strategic Plan 2022-2027' which articulates the collective ambition for the future direction of The Glasgow School of Art. It has been created through extensive and structured conversations with people who care passionately about the School alongside a considered evaluation of the current economic context in which we will deliver our creative education, research and innovation.

Our plans have our academic endeavour at their centre, setting out our ambition that through our people, our education and our research, we will empower change and create impact that is both transformative and collaborative. Those plans are founded on enabling strategies promoting the talents of our staff, the sustainability of our finances and the effectiveness of our estates and infrastructure.

### The interests of the company's employees

GSA is committed to working with its workforce to develop Fair Work practices

The ongoing impact of the pandemic at the start of 2021/22 saw a continuation of a significant number of staff continuing to work from home. Subsequently, working arrangements evolved into hybrid working between campus and home. Working closely with Trade Union colleagues, guiding principles to support new ways of working were widely discussed and developed, with a focus on maintaining a positive student experience, collaboration with colleagues and delivering the required work in the most effective way, balanced alongside individual preferences. These new ways of working will continue to be refined by teams and in partnership with Trade Unions into the coming year, with data on the impact being taken into account to shape the GSA approach. Resources will be developed to support managers in developing consistent approaches.

A 'neutral assessment' (a process which supports an organisation or a team to understand the causes of complex people issues and to identify recommendations) to follow up on staff feedback from previous staff surveys was also progressed in 2021, working closely with external partners to develop a methodology that will enable the GSA to ascertain what progress has been made in developing the culture of the organisation towards ethical leadership. The outcomes from this will be used to inform the development of the People Strategy and workplan being developed in 2022 to deliver related interventions that will enable the delivery of Strategic Plan.

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

**Students** are at the centre of what we do. In 2022 we developed the School's first ever Student Partnership Agreement with the Glasgow School of Art Students Association (GSASA). We have together set an ambition to develop a true and meaningful culture of partnership with students throughout everything we do. In working towards our mutual goals GSASA, as the representative body of students, and GSA have developed this Agreement to set out our ambitions for partnership, the ways we will collaborate, and our joint priorities for the next 24 months.

The Student Partnership Agreement is overseen by our Student Partnership Group, a collaborative community of students and staff from across the School who work to ensure our success and challenge our ambitions. GSA and GSASA have agreed to work in partnership on 3 partnership priorities to improve the student experience.

- **Sustainability & Climate Literacy:** GSA & GSASA will work together to deliver a climate literacy upskilling festival. Recognising that staff and students will need to develop baseline knowledge and a common understanding about climate change and climate science, and the role creative practice can play in addressing this societal challenge.
- **The Equitable Art School:** We will support local working groups of students and staff to be established in each of the academic schools as a space for open and honest discussions about equality, diversity and inclusion based on lived experience. Utilising these spaces, these groups will work to identify the cultural, curricular and policy changes that need to happen at GSA and work collectively to implement them.
- **Post-Pandemic Studio Practice** We will work in partnership to identify the qualities, characteristics and requirements for effective hybrid studio practice for both staff and students. This project will articulate the baseline digital experience for all at GSA, how to access digital resources, and consider what digital identity and dexterity means for a contemporary art school with the evolution of technology and the digital landscape.

These themes were identified in consultation with staff and students from across the School the Student Partnership Group will monitor progress and evaluate project outcomes.

Cognisant of the part that GSA's physical environment can play in the student experience we have developed an extensive programme of work to create an environment consistent with the needs of our workforce and expectations of our students.

Since its inception in 2019 the GSA Creative Network initiative has worked in partnership with departments across GSA to develop our global and domestic **alumni** networks. By helping to facilitate increased engagement between the GSA's academic schools and targeted alumni cohorts the initiative is providing structured and supported alumni involvement in strategically aligned programmes - particularly those associated with student experience and employability. Through increased visibility, engagement and promotion of graduate activity, we are showcasing the important contribution that both creativity and creative people play in wider society. The initiative connects GSA's ever growing creative community both locally and globally, providing a valuable resource to our students, graduates, industry partners and wider networks.

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.

GSA maintains good relationships with its **suppliers**. GSA's endorses the CBI Prompt Payment Code and its 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 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 its reputation as a creative and cultural capital. GSA maintains regular formal and informal contact with the City Council, and a range of local agencies involved in promotion of local economic growth and for the delivery of cultural services 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. Since 2019, Glasgow School of Art's dedicated Community Engagement Officer has worked with a wide range of local stakeholders and community groups in the surrounding neighbourhood of Garnethill through partnerships and creative projects. The Community Engagement Programme aims to support the development of stronger relationships, collaboration and active communication between GSA staff, students and graduates, and the local community in Garnethill. This past year the programme engaged with over 600 people and 38 creative workshops, running its second creative residency with Garnetbank Primary School, partnering with St Aloysius College and Garnethill Multicultural Centre to create the Reid Lane Mural, and partnering with Central and West Integration Network to deliver creative workshops as part of their Children's Holiday Programme. While our presence on our Altyre campus in Forres is more recent, here, too, we have sought to establish roots in the local community.

#### 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 which continues to be a priority for the GSA. In Academic Year 2021 – 2022, the GSA achieved its highest numbers of SIMD 20 entrants with 72 first degree entrants and alongside 9 care experienced students 3 times more than the previous year. SIMD 20 students were 23% of the intake ahead of the Scottish Government 2030 Commission on Widening Access sector-wide targets.
- new pathways for increased numbers of students to progress from Scottish further education colleges to Glasgow School of Art primarily through articulation routes with further education colleges. In 2021- 2022 59 students achieved advanced standing offers through our work with partner colleges almost double the 34 from the previous year. 60% of those progressing from college were from SIMD20/40 backgrounds highlighting the significance of colleges as routes for those from the most deprived communities.
- 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 AY 2021 – 2022 the results of the Research Excellence Framework 2021 were published with 82% of the GSA's research assessed to be world-leading

and internationally excellent, a major improvement from the last REF (2014) furthering the GSA's position as one of the UK's leading higher education institutions in art and design.

- 75% of the GSA's research outputs were ranked at the two top grades 4\* (world-leading in originality, significance and rigour), and 3\* (or internationally excellent) and, importantly, the significant impact of the research was also recognised, with 88% of the research impact judged to be world-leading and internationally excellent. This reflects the real world benefits GSA research has delivered.



## 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, a financial objective likely 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 strategy

GSA's forward financial plans have been developed to be reflective of the ambitions set out in our new strategic plan:

- Through developing new ways to study at the GSA, including distance and low residency programmes and courses, new routes and modes of delivery, we will achieve growth in student numbers, and so tuition fee income.
- Through high-quality, impactful research and knowledge exchange focused around our areas of research excellence, partnership and inter-disciplinary research, we will maintain our position as one of the UK's largest post-graduate research communities in art and design, and will grow our research intensity and income.
- Through inclusive design, quality place-making and climate emergency mitigation we will invest in our estate by completing the reinstatement of the Reid Building façade; we will implement the improvements to carbon efficiency and student and staff experience at the Stow building; and we will commence the rebuilding of the Mackintosh Building; all as an integrated part of our Estates masterplan and academic ambitions.
- Through becoming digitally enabled, integrating our business processes, systems and platforms in a strategic way which adds value and improves the experience of studying and working, we will radically improve our efficiency.
- Through financial sustainability being founded on:
  - setting targets for surplus generation that will underpin the generation of cashflow to support future investment in people, estates and infrastructure;
  - setting a 'floor' for liquidity to seek to ensure our ongoing solvency; and
  - setting a ceiling for gearing, that, primarily, provides headroom for further borrowing in the event that it is required to support the reconstruction of our estate, but avoids placing an undue burden on our routine finances to support the servicing of interest and capital payments.

### Financial performance

This year, the Group reported a surplus of £1.0m (2021: deficit £7.8m) and a total comprehensive surplus of £30.9m (2021: deficit of £1.2m). These results include items of an exceptional and non-recurring nature, including expenditure in relation to the 2018 Mackintosh fire; and the financial impacts of the pension valuation, without which the underlying surplus and the total comprehensive income would have been a deficit of £0.5m (2021: deficit £0.5m). The following table shows the underlying performance for the year by adjusting for the impacts of those exceptional and non-recurring items:

	Surplus for year	Total comprehensive income
	£000	£000
<b>As reported in the financial statements</b>	<b>1,025</b>	<b>30,885</b>
<i>Pension related</i>		
FRS 102 pension cost adjustment – to staff costs	3,150	3,150
FRS 102 pension cost adjustment – to finance costs	342	342
Actuarial gain in respect of pension schemes	-	(29,704)
<i>Insurance related</i>		
Insurance income	(5,040)	(5,040)
Mackintosh recovery project	72	72
<i>Other comprehensive income</i>		
Revaluation of Heritage assets		(29)
Reserves exchange rate adjustment	-	(127)
<b>Underlying deficit</b>	<b>(451)</b>	<b>(451)</b>

### Income

In 2021/22, the Group saw total income grow by £6.0m to £44.3m, mainly reflecting £5m of accrued insurance income. Excluding that exceptional income, underlying income grew £0.9m (2%) to £39.3m, driven primarily by the return of students to study and into residences, following the impact of the pandemic in the previous year.

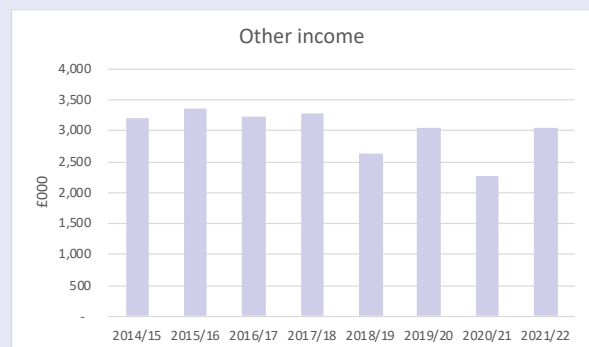
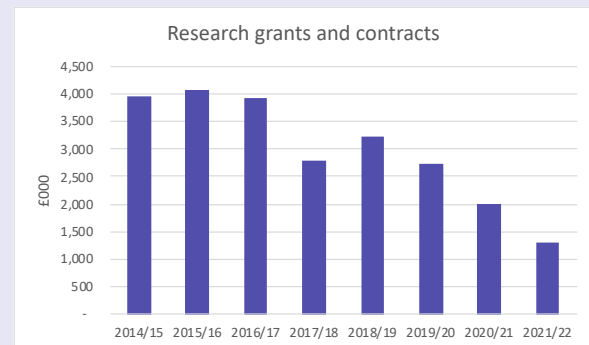
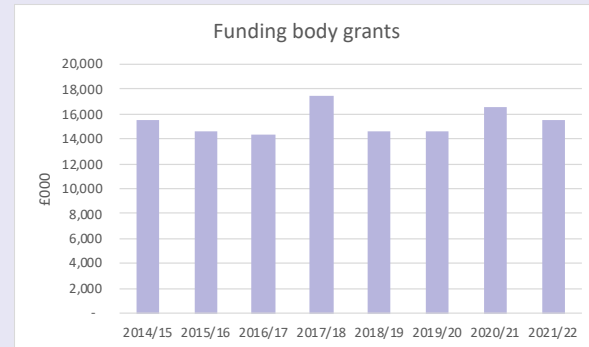
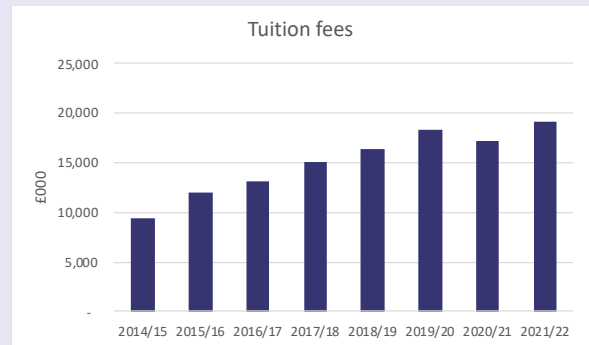
Restoring a recent trend of steady growth, after last year’s pandemic-driven downturn, this year, tuition fees grew by £2.0m (11%) to £19.2m (2021: £17.2m), even with the loss of income from our discontinued operations in Singapore.

2020/21 saw £0.2m (6%) growth in the fees from home and EU students, reflecting, primarily, planned growth in postgraduate students. Against that trend, and reversing last year’s upward trend, there was a £0.3m (9%) fall in fee income from students attending from England, Wales and Northern Ireland. For the same period, there was a net increase in international fee income of £2m (21%); with £2.5m growth reflecting the return of overseas students to the UK after the pandemic, offset by the loss of £0.5m that we earned from the final tranche of students who graduated in Singapore in 2021.

The fall of £1.2m (7%) in Funding Council Grants, £15.3m, largely reflects the loss of the additional funds that SFC distributed in the previous year to support institutions during the pandemic.

This year, again, saw income from research grants, knowledge exchange projects and consultancy fall by £0.7m (35%), to £1.3m (2021: £2.0m). GSA’s research grant income typically comprises a core portfolio of ‘standard’ research projects along with a very small number of disproportionately large innovation projects, whose award can be irregular, meaning that, their initiation and completion can lead as can be seen in the most recent downward trend, to volatility in the annually reported research income.

Reversing the effect of an income stream heavily impacted last year by the pandemic, this year’s recovery in other income was evidenced by growth of £0.8m (34%) to £3.0m (2021: £2.3m), even with the loss of UK Government support from the COVID-19 Job Retention Scheme. Residence Income recovered to pre-pandemic level’s growing by £1.0m (138%) on last year; and commercial and other income, too, saw some recovery, up by £293k (23%) to £1.3m (2021: £1.0m). As noted above, insurance income of £5m was recognised, reflecting the accrual of an insurance settlement offer in respect of the consequential damage to the Reid, Bourdon and Assembly buildings.



## Expenditure

In 2020/21, the Group saw total expenditure fall by £3.0m (6%) to £43.7m. Excluding the exceptional movements associated with pension service costs, there was an underlying increase of £0.7m (2%).

At £27.8m (2021: £26.5), total staff costs showed growth of £1.3m (5%) compared to last year. The largest contributor to that cost was a £3.1m actuarially assessed pension service charge, up £0.6m on the previous year's £2.5m charge. Excluding those costs from each of the years, the net growth was just 2.0%, reflective of the national 1.5% cost of living increase, the increase in employer's pension contributions and of salary scale progression.

Other operating expenses fell by £0.1m (1%) to £12.7m (2021: £12.8m), masking upward pressure on a number of operating cost categories, that had been offset by the absence of the increased cost of operating in a pandemic environment.

At £441k (2021: £394k), interest and other finance costs were marginally up reflecting the costs of early repayment of the Barclays loan, offset, in part, by the interest savings accruing from the early repayment, in the latter part of the year.

Depreciation for the year of £2.8m (2021: £2.6m) grew very modestly, reflecting depreciation of capital expenditure on assets that had become available for use during the year.

Other comprehensive income and expenditure for the year included a charge reflecting a £29.7m actuarial gain (2021: £6.3m actuarial gain) on the pension scheme, £29k (2021 £236k) increase in the value of our heritage assets and a £127k reserves exchange rate adjustment.

## Financial position

At the end of the year, the Group had net assets of £65.4m (2021: £34.5m), representing growth of £30.9m on the previous year.

The £5.1m increase in fixed assets to £78.6m (2021: £73.5m) reflects £7.9m of capital expenditure during the current year, offset by depreciation of £2.8m. The net £0.4m increase in investment assets to £5.7m (2021: £5.3m) largely reflects the receipt of a £0.5m from a new endowment, the Donald J White Scholarship, offset by a reduction in the remainder of the endowment fund associated with the performance of financial markets over the period.

The actuarial review of GSA's participation in the Strathclyde Pension Fund at 31 July 2022, for accounting purposes, signalled a change from a net liability of £19.8m to a net asset of £6.4m. The change can be attributed to:

- £1.7m growth in the Scheme's assets, to £59.0m;
- £24.6m reduction in the scheme's liabilities, to £52.7m, almost wholly attributable to a 1.9% increase in the rate at which the scheme's liabilities were discounted, reflecting the rise in the corporate bonds yield, upon which the discount rate is required to be founded.

Debtors due greater than 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 fell by £2.8m to £25.1m (2021: £27.9m):

- Trade and other receivables increased by £5m to £6.9m (2021: £1.9m), reflecting the debtor associated with the accrual of an interim insurance settlement offer in respect of the consequential damage to the Reid, Bourdon and Assembly buildings (2021: £nil)
- Cash reduced by £9.0m to £22.1m (2021: £31.1m, largely reflective of this year's capital expenditure and by both the repayment of the Barclays secured loan, as well as the scheduled repayments on other loans.
- Creditors due within one year fell by £1.1m to £9.4m (2021: £10.5m) reflecting a modest reduction in trade creditors and the repayment of the Barclays secured loan, recognised wholly, last year, as a short term creditor,
- Creditors falling due in more than one year comprise loans and deferred capital grants.



The outstanding balance on loans due in more than one year reduced by £0.6m to £9.3m (2021: £10.0m), reflecting regular repayments on loans being made as they fell due. There are total loans, including loans due in one year, of £10.0m at 31 July 2022 compared with £11.3m at 31 July 2021.

- At the year-end, deferred capital grants greater than one year stand at £53.8m (2021: £55.1m), 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 £1.2m reflecting the release of deferred grant to match the depreciation on fixed assets, so funded.

### Movement on reserves

During the year, the Group's reserves grew by £30.9m to £65.4m (2021: £34.5m). Disaggregating that movement:

- Endowment reserves grew by £0.4m to £5.7m (2021: £5.3m) during the year, the movement being largely attributable to receipt of a new endowment, netted against reduction in the value of remainder of the endowment fund associated with the poor performance of financial markets over the period.
- Restricted reserves, at £8.4m, were unchanged during the year.
- The income and expenditure reserve grew by £30.5m to £36.2m (2021: £5.7m) during the year, that rise mainly reflecting the Group's £29.7m actuarial gain arising from the Strathclyde Pension Fund valuation; and the £1.0m surplus for the year (net of £0.4m endowment comprehensive income).
- The revaluation reserve was almost unchanged at £15.1m (2022: £15.2m).

### Treasury management, cashflow and liquidity

The financing, liquidity and exposure to financial risk is overseen by the Board through 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 2022, our cash and deposit balances sat at £22.2m, a decrease of £9.0m on the previous year-end (2021: £31.1m), largely reflective of this year's capital expenditure and by both the repayment of the Barclays secured loan, as well as the scheduled repayments on other loans. Our deposits are currently held as short-term deposits, so show on the Balance Sheet as entirely within cash and cash equivalents.

The return on Endowment Asset Investments comprising dividend and bank interest was 0.99%, compared with 1.2% last year. The market value of the total Endowment assets held grew from £5.3m to £5.7m., primarily reflecting the receipt of a new endowment. The Business and Estates Committee, oversees 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** - GSA currently holds £22.2m of cash, there are no restrictions on the use of those funds. With interest rates remaining low during the period and with an expectation of earlier expenditure, the cash was held on call or 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 2022 the School had an average of 5 days (2021: 10 days) purchases outstanding in trade creditors. With regard to the late payment of Commercial Debts (Interest) Act 1998 there are no matters to disclose.

**Ann Priest**, Chair of the Board of Governors  
18 January 2023



# DIRECTORS' REPORT



## Board membership

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The following persons served as Board members during the year to 31 July 2022, and up to the date of approval of these financial statements.

### Appointed by the Board of Governors

Ms Kristen Bennie BA	Independent Governor
Professor Graham Caie CBE, PhD, FRSE, FEA, FRSA	Independent Governor (from 1 August 2021)
Ms Ann Faulds BA, LLB, Dip. L.P.	Independent Governor (until 31 May 2022)
Professor John French BSc, PhD, MIOD	Independent Governor (until 9 November 2022)
Ms Muriel Gray BA (Hons), FRSE	Independent Governor (until 30 September 2021)
Dr Martin Herbert DipQS, MSc, PhD, MRICS	Independent Governor
Dr Kate Lampitt Adey	Independent Governor
Dr Simon Learoyd BA (Hons), PG Cert, MSc, PhD	Independent Governor
Mr Michael McAuley LLB (Hons)	Independent Governor (until 30 September 2022)
Mr Habib Motani	Independent Governor
Ms Ann Priest MBA FRSA Ctext FTI	Independent Governor (from 27 June 2022)
Mr Harry Rich LLB (Hons), FRSA	Independent Governor
Mr James Sanderson BA(Hons), Dip Arch, RIBA, RIAS	Independent Governor
Dr Graham Sharp BSc, LLB, MSc, DPhil, CA	Independent Governor
Mr Andrew Sutherland BAcc, CA, MCICM	Independent Governor
Ms Lesley Thomson	Independent Governor (until 4 October 2021)
Professor Anne Trefethen FEng	Independent Governor
Mr Tsz Wu BA (Hons), Mdes	Independent Governor

### Governors Ex Officiis

Professor Penny Macbeth BA(Hons), MA, FHEA	Director of the School
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### Elected Staff Governors

Ms Marianne McInnes MEng	Elected by the Professional Support Staff
Mr David Nutter BA (Hons)	Elected by the Academic Staff (from 1 December 2021)
Professor Sarah Smith BA(Hons), MA, PhD	Elected by the Academic Staff (until 1 December 2021)

### Student Governors

Mr Rory O'Neill	President of the Students' Association
Ms Josephine Kay-Ogunsola	Vice-President of the Students' Association

### Trade Union Governors

Mr Thomas Greenough BA (Hons)	Trade Union Governor (Academic)
Ms Kathy Molloy	Trade Union Governor (Professional Support)

### Secretary to the Board of Governors

Dr Craig Williamson LLB (Hons), PG Cert, MSc, PhD	Registrar and Secretary (until 15 April 2022)
Andrew Menzies	Company Secretary (from 4 May 2022)
Stephen Marshall	Interim Registrar and Secretary (from 29 September 2022)

## 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.

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.

During 2020/21, GSA signed the Race to Zero for Universities and Colleges Campaign. In 2021/22 the GSA developed and consulted on a new Environmental Framework and Climate Action Plan in parallel with an Estates Strategy. A key component of the latter was a Net zero strategy for the Estate which will be further defined in 2022/23.

### 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 emission.

	UK use				Associated greenhouse gas emission					
	units	2021/22	2020/21	2019/20	2018/19	units	2021/22	2020/21	2019/20	2018/19
Electricity	kWh	2,804,955	1,867,982	2,524,003	3,255,048	tCO <sub>2</sub> e	648	473	639	903
Gas	kWh	6,983,016	6,280,610	6,000,596	6,510,656	tCO <sub>2</sub> e	1,279	1,155	1,103	1,197
Vehicles	km	5,110	1,300	1,627	4,699	tCO <sub>2</sub> e	1	-	-	1
Transport	passenger km	252,278	50,164	450,143	1,795,951	tCO <sub>2</sub> e	41	7	87	316
Waste	tonnes	89	68	72	242	tCO <sub>2</sub> e	3	20	3	12
Water	m <sup>3</sup>	13,052	10,629	5,856	18,358	tCO <sub>2</sub> e	4	3	6	19
<b>Total associated greenhouse gas emissions</b>							<b>1,977</b>	<b>1,658</b>	<b>1,839</b>	<b>2,448</b>
Gross internal area (m <sup>2</sup> )						m <sup>2</sup>	62,458	62,458	62,458	62,595
<b>Intensity ratio</b>						tCO <sub>2</sub> e/m <sup>2</sup>	<b>0.032</b>	<b>0.027</b>	<b>0.029</b>	<b>0.039</b>

Energy efficiency action taken:

- The new Estates Strategy, included creation of a plan to determine the requirements to reduce our campus carbon footprint.
- Further developed the aspirational sustainability brief for our Mackintosh Building by setting clear sustainability targets.
- Completed a more detailed Sustainability strategy for the whole campus.
- Developed digital twin models for all our owned buildings so that energy and sustainability modelling could be carried out to determine the best approach for improvements
- Energy Performance certificates for all our owned buildings are in place.
- When undertaking estate refurbishment and redevelopment, ensured that project briefs include provision for improved carbon efficiency; evidenced by the planned energy efficiency and carbon improvements in our forthcoming major project at the Stow Building.
- Continued rolling programme of refurbishment of buildings to improve their energy efficiency including on the Stow and Reid Buildings.
- Continued efforts to embed environmental issues in the procurement supplier selection and contract award criteria.
- Developed a waste strategy, to contribute to our efforts to minimise environmental impacts by reducing, recycling and reusing more.
- Continued to embed 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.

Last year we set new Equality Outcomes:

- Actively foster and support an organisational culture in which dignity and respect for self and others is understood and practiced, where confidence is encouraged and promoted, and where ignorance, prejudice and bias is challenged.
- Continue to evaluate our physical and digital environment, aiming to optimise accessibility and inclusivity by acknowledging and providing for the needs of our students, staff and stakeholders.
- Actively build and support a staff population which is more reflective of the Scottish population and encourage a diverse student body.
- Improve lifelong outcomes for students by identifying and supporting those groups facing persistent inequality throughout and beyond their student learning journey into positive destinations.
- Develop a comprehensive and robust equality and diversity data set which enables us to inform action, assess progress and measure impact.
- Although these outcomes will consider all protected characteristics, there will be a prioritised focus on Race, Gender, Disability, and LGBTQI+ as suggested by both internal and external research.

This year we published detailed action plans (<https://www.gsa.ac.uk/media/1943641/the-glasgow-school-of-art-equality-outcomes-2021-2025-action-plan.pdf>) providing greater detail and, in addition to our public sector duties, published an Equality Progress Report (<https://www.gsa.ac.uk/media/1993065/the-gsa-equality-progress-report-april-2022.pdf>), setting out:

- Our focus on raising awareness of GSA's equality outcomes.
- Our work to mainstream the requirements of the Public Sector Equality Duty:
  - using Equality Impact Assessment to ensure equality is routinely and systematically considered in the review, development and implementation of operational and strategic initiatives and decisions;
  - through further development of Supporting Structures, Policies and Reporting Mechanisms; and
  - through highlighting actions required to achieve compliance with digital accessibility legislation.
- Our progress towards achievement of each of our equality outcomes.
- Our approach to:
  - governor induction, training and development in regard to their equality and diversity responsibilities;
  - monitoring the Board's composition in line with the terms of the Scottish Code of Good HE Governance;
  - targeting The Gender Representation on Public Boards (Scotland) 2018 Act objective of 50% of non-executive members being women; and
  - reflecting on other opportunities to further widen the Board's diversity in terms of other protected characteristics.
- Our signposting of GSA's published equality monitoring data.

## Employment of disabled persons

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GSA is committed to attracting, recruiting and retaining people with disabilities, specifically:

- We ensure that people with disabilities receive full and proper consideration throughout the whole recruitment process; and
- We provide 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

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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 or the Group 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.

## Auditor

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The Board approved the appointment of Anderson Anderson Brown Audit LLP as Auditor on 25 May 2022.

Anderson Anderson Brown Audit LLP will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

## Post balance sheet events

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

### By order of the Board

**Ann Priest**, Chair of the Board of Governors  
18 January 2023

**Professor Penny Macbeth**, Director  
18 January 2023

# CORPORATE GOVERNANCE STATEMENT



## Introduction

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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 with 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 for Scotland's universities 2021/22 (issued 18 July 2022), 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

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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, full consideration and 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 (October, December, March and June in session 2021/22) 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, the Director of Finance and the Director of Estates. 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 Articles of Association 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 Board of Governors as may be assigned to the Academic Council by the Board.

The roles of Chair and Vice-Chair(s) of the Board are separated from the role of the School's chief executive, the Director. Pursuant to the Articles of Association, the Director discharges the functions of the Board of Governors relating to the organisation and management of the School and the discipline therein and, with the advice of the Academic Council, the overall planning, coordination, development and supervision of the academic work of the School. 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 one of the Independent Governors.

The Registrar and Secretary maintained 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, the Scottish Code of Good HE Governance, and the School's legal instruments. Agendas and papers (which include the Board minutes from the previous meeting) are published on the School's website, normally following approval of the minutes at the subsequent meeting of the Board of Governors.

### 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), the Registrar and Secretary, in close consultation with the Chair of the Board, worked to ensure that GSA's governance arrangements remained robust and appropriate during this critical period. During the period under report the committee cycle was delivered as scheduled via video conference with additional Board and Committee meetings scheduled where appropriate.

With regard to Board committees, at present, the intention is that these meetings will continue to be held via video-conferencing in session 2022/23, unless otherwise preferred by the convenor of the relevant committee. During this year, Board meetings were held in person (with the option for members to join via video-conference) where social-distancing regulations allowed. It is envisaged that these arrangements for the Board and its committees will become the established mode of operation.

## 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. These are set out in full in the 2022/23 Statement of Corporate Governance.

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, one or more 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, including the financial regulations and supporting policies, 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 review to Board committees. The extent of that delegation is detailed within the Board Committee Remits and Memberships document, 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 2021/22: Business and Estates, Audit and Risk, Human Resources, Museum and Archive, 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 governing instruments, which were last revised in December 2020. The majority of Governors are non-executive and independent, serving alongside ex-officio and elected staff, student and trade union Governors.

Since 1 December 2020, and in line with its new Order of Council and Articles of Association, the School's Board of Governors comprises:

- Between ten and seventeen Independent Governors;
- The Chair, appointed by the Board of Governors;
- The Director of the School as a governor ex officio;
- Two Staff Governors appointed by being elected by the staff of the School from among their own number, one of whom is elected by the academic staff of the School and the other by the professional support staff of the School;
- Two Trade Union Governors appointed in accordance with rules approved by the Board of Governors as follows:
  - one by being nominated by a trade union from among the academic staff of the School who are members of a branch of a trade union that has a connection with the School; and
  - one by being nominated by a trade union from among the support staff of the School who are members of a branch of a trade union that has a connection with the School.
- Two Student Governors appointed by being nominated by the Students' Association of the School from among the students of the School in accordance with rules approved by the Board of Governors.

During the reporting period:

- Ms Muriel Gray demitted office as an Independent Governor and as the Chair of the Board of Governors on 30 September 2021. Ms Kristen Bennie (an existing Independent Governor) was appointed as a Vice Chair and interim Chair of the Board for the period 4 October 2021 until 27 June 2022.
- Following an election, in accordance with the requirements of the Higher Education Governance (Scotland) Act 2016, Ms Ann Priest was appointed as an Independent Governor and as Chair of the Board of Governors from 27 June 2022; at which point Ms Kristen Bennie demitted office as interim Chair.
- Four further Independent Governors joined the Board: Professor Graeme Caie (13 July 2021), Dr Graham Sharp (13 July 2021), Dr Simon Learoyd (26 July 2021), Professor Anne Trefethen (26 July 2021).
- Two further Independent Governors demitted the Board: Ms Lesley Thomson (13 December 2021) and Ms Ann Faulds (31 May 2022). One Staff Governor (Academic) demitted office on 1 December 2021: Professor Sarah Smith; and was replaced via scheduled election by Mr David Nutter from 1 December 2021.

Further, Dr Craig Williamson, Secretary to the Board of Governors, demitted office upon his resignation as Registrar and Secretary on 15 April 2022. Mr Andrew Menzies, the existing Director of Finance, was appointed Company Secretary on 4 May 2022. Mr Stephen Marshall was appointed Interim Registrar and Secretary on 29 September 2022.

Staff Governors and Trade Union Governors hold office for an initial term not exceeding three years and may be reappointed for up to two further periods of up to three years. Student Governors hold office for an initial term not exceeding one year and may be reappointed for one further period of up to one year.

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 for Independent Governors. The most recent round of Independent Governor recruitment was undertaken in spring 2021. The Nominations Committee formed a Governor Appointment Sub Group to oversee the recruitment of new Independent Governors, in line with a process previously approved by the Board. This process was thorough and aligned with the terms of the Scottish Code of Good HE Governance (2017). The posts were widely advertised in the

national press, on the Committee of University Chairs and Women on Boards websites, and on GSA's own website and through its social media outlets. The Board sought to attract candidates with skills and expertise in the areas of higher education, finance, heritage management; public affairs and community engagement, so to this end, advertising in specific publications such as the Association of Chartered Certified Accountants (ACCA) and the Museums Journal.

In considering the applications, both at shortlisting and interview stage, the Sub-Group considered the Register of the Balance of Skills, Attributes and Experience, GSA's current and emerging needs, GSA's gender balance commitment, and the opportunity to increase the diversity of the Board's membership. The conclusion of this robust and transparent process led to the appointment of four new Independent Governors who joined the Board in July 2021, as detailed above.

The Higher Education Governance (Scotland) Act 2016 governs the process for the appointment of the Chair of a higher education institution. In terms of the Act, the Board of Governors formed a Chair Election Committee in session 2021/22, to which it delegated the responsibility of devising the relevant criteria with respect to the position and of ensuring the efficiency and fairness of the process for filling the position. Following an election held in May 2022, in accordance with the requirements of the Act, Ms Ann Priest was appointed as Chair of the Board of Governors on 27 June 2022 for a period of four years.

As at 1 October 2022, the School's Board consists of a total membership of twenty-two members, fifteen of whom are Independent Governors (including the Chair of the Board), of which the latter category has a male:female ratio of 73.3%:26.7%.

### Induction and Governor Development

All new Governors receive a full induction upon joining the Board, with continued support available throughout their time in office. The induction process and information provided is reviewed on an ongoing basis to ensure it remains current and takes all recent relevant developments into account. Governors attend a governance briefing with the Registrar and Secretary, which includes information on the responsibilities of the Board, an overview of developments in the HE sector, the School's Strategic Plan, and the 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 and Trade Union Governors.

Throughout the academic session, Governors are normally invited to participate in briefings, presentations and tours to keep members up to date with developments within the School. These also serve to increase members' knowledge and sense of connection with staff and students. While this approach was somewhat curtailed during 2021/22, owing to the COVID-19 situation and the significant range of business under consideration in the course of the session, 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 Advance HE through its Governor Development Programme. New Governors (including the Student Governors) 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 collates the reviews and identifies any points to be followed up with individual Governors including any training requirements; 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

All Board committees met via video conference in session 2021/22.

The **Audit and Risk Committee** held routine meetings four times in session 2021/2022 with both the External Auditor and Internal Auditor in attendance. Following changes to the Committee's remit that were implemented in the previous year, the Committee continued to allocate more time to allow for the greater 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 have scrutinised it in detail. Following the conclusion of the tenure of the previous auditor, and a procurement process to identify a replacement, the Committee was able to make a recommendation in relation to a new provider to the Board of Governors. Subsequently, the Committee held a fifth meeting to agree the timetable for the preparation and approval of the 2021/22 financial statements and to discuss the audit arrangements contained within the Audit Planning Report presented by the new Auditor. The Audit and Risk Committee has overall responsibility for the effectiveness of and compliance with GSA's system of risk management and overseeing the effectiveness and compliance of GSA's Corporate Governance arrangements with onward reporting to the Board of Governors. It must satisfy itself that the financial affairs of the School are correctly represented, that the funds received from the Scottish Funding Council are used in accordance with the Financial Memorandum between the Council and the School, consider the internal and external auditors' assessment of the effectiveness of the School's financial and other control systems, including controls to prevent or detect fraud or other irregularities. It is also responsible for advising the Board on the selection, appointment or re-appointment and remuneration of both the Internal Auditor and External Auditor.

The Audit and Risk Committee is also 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.

The **Business and Estates Committee** met ten times in session 2021/22. The Business and Estates Committee is responsible for developing strategic financial management of GSA in response to the Strategic Plan, ensuring that GSA's finances, estates, and associated matters are managed efficiently and effectively, noting and providing comment on the School's Institutional Risk Register, 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. Owing to aspects of its remit, the Committee also monitors progress with the development of the Strategic Plan, and subsequently progress against the Plan regarding those aspects, prior to consideration by the Board of Governors. 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. As an enhancement for 2022/23, the Committee has been invited to consider updates regarding the development of the School's Strategic Plan and offer comment on this to the Board when it considers this matter for approval.

The **Health and Safety Committee** met four times in session 2021/22. The Committee provides Board oversight and had a Governor membership comprising Independent Governors, elected Staff Governors, Student Governors, Trade Union Governors, and the Director of GSA. The Director of Estates attends. At management-level, the Occupational Health and Safety Management Committee is convened by the Director of Estates, with senior management, trade unions, students, and the Director as part of the membership. The role of the Board-level committee is to gain assurance from the Director of GSA and the Director of Estates that all management-level Health and Safety matters are appropriate. The statutory obligation to consult on Health and Safety matters is delivered by the management-level committee.

The **Human Resources Committee** met three times in session 2021/22 and is responsible for the review and approval, subject to Board amendment, of policy relating to the employment of staff and the monitoring of the effective management of these affairs, along with matters relating to equality.

The **Museum and Archive Committee** met four times in session 2021/22 and considers and makes recommendations on matters relating to the School's Museum and Archive Collections.

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 normally considers matter by correspondence but can meet as and when required. In session 2021/22, the Committee conducted its business through correspondence.

The **Remuneration Committee** met once in session 2021/22. 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 the Academic Staff Governor are members of the Committee. Proposals are prepared by the Director of Human Resources. Any reports or proposals to the Remuneration Committee would also be circulated to the Board's two Trade Union Governors in advance of Remuneration Committee consideration and the Director of Human Resources reports their views to the Committee.

A **Chair Election Committee**, met ten times in session 2021/22, having been formed to devise the relevant criteria with respect to the position of Board Chair and of ensuring the efficiency and fairness of the process for filling the position. The Committee had a limited life, expiring at the conclusion of the process.

While not a committee of the Board, the **Steering Group (Mackintosh)** is convened by an Independent Governor. In addition to Independent Governors, it also has external members on its membership. The Steering Group provides constructive challenge to the Project Development Board (Mackintosh), and offers insights to the Business and Estates Committee as appropriate. The Board of Governors has overall and final authority for all works on the Mackintosh Building in alignment with the primary responsibilities set out in GSA's Statement of Corporate Governance, i.e. as the principal financial and business authority of the School, taking 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 and recommendations of the Business and Estates Committee.

### Board Committee Membership

The following persons served on the committees of the Board during the financial year reported in these accounts and into academic session 2022/23.

**Audit and Risk Committee:** Mr Andrew Sutherland, Convenor; Dr Martin Herbert (until 3 November 2021); Dr Simon Learoyd; Mr Michael McAuley (until 30 September 2022) and Mr Harry Rich (from 14 November 2022).

**Business and Estates Committee:** Mr Habib Motani, Convenor; Ms Kristen Bennie (until 27 July 2022); Ms Ann Priest (from 27 June 2022); Ms Ann Faulds (until 31 May 2022); Professor Penny Macbeth; Mr Michael McAuley (until 30 September 2022), Vice Convenor; Mr Rory O'Neil (from 1 August 2021); Mr Harry Rich; Mr James Sanderson; and Dr Graham Sharp.

**Health and Safety:** Dr Martin Herbert, Convenor (from 1 September 2021); Mr James Sanderson, Convenor (until 31 August 2021); Mr Thomas Greenough, Ms Josephine Kay-Ogunsola (from 1 August 2021); Professor Penny Macbeth; Ms Marianne McInnes; Ms Kathy Molloy; Mr David Nutter (from 1 December 2021); Mr Rory O'Neill (from 1 August 2021); and Professor Sarah Smith (until 1 December 2021).

**Interim and Urgent Business Committee** (currently in abeyance)

**Human Resources Committee:** Professor Graham Caie (from 13 July 2021), Interim Convenor (from 15 November 2021, until 16 October 2022); Ms Kristen Bennie, Convenor (until 4 October 2021; and again from 17 October 2022); Mr Thomas Greenough; Professor Penny Macbeth; Ms Marianne McInnes; Ms Kathy Molloy; Mr David Nutter (from 1 December 2021); Professor Sarah Smith (until 16 November 2022); Mr Tsz Wu (from 15 November 2021).

**Nominations Committee:** Ms Kristen Bennie, Convenor (from 4 October 2021); Ms Muriel Gray, Convenor (until 30 September 2021); Professor Graham Caie (from 15 November 2021); Dr Martin Herbert (from 1 September 2021); Dr Kate Lampitt Adey; Professor Penny Macbeth; Ms Marianne McInnes; Mr Habib Motani; Mr David Nutter (from 1 December 2021); Mr Rory O'Neill (from 1 August 2021); Professor Sarah Smith (until 1 December 2021); Mr Andrew Sutherland.

**Museum and Archive Committee:** Dr Kate Lampitt Adey, Convenor; Mr Harry Rich, Vice Convenor; Professor Christopher Breward; Professor Penny Macbeth; Ms Victoria Peters (until 12 September 2022); Professor Anne Trefethen.

**Remuneration Committee:** Graham Caie, Convenor (from 13 July 2021); Ms Kristen Bennie (from 4 October 2021); Mr Habib Motani; Mr David Nutter (from 1 December 2021); Mr Rory O'Neill (from 1 August 2021); Professor Sarah Smith (until 1 December 2021); Ms Lesley Thomson (until 4 October 2021); and Professor Anne Trefethen.

**Chair Election Committee:** Dr Graham Sharp, Convenor (from 17 November 2021), Ms Josie Kay-Ogunsola (from 13 December 2021), Dr Simon Learoyd (from 17 November 2021), Professor Penny Macbeth (from 13 December 2021), Mr Michael McAuley (from 17 November 2021), Ms Kathy Molloy (from 13 December 2021) and Professor Anne Trefethen (from 17 November 2021). For all members, membership of the Committee ceased with the conclusion of the process on 14 October 2022.

### Board Effectiveness

In accordance with GSA's Statement of Corporate Governance, and in line with the expectations of the Scottish Code of Good HE Governance (2017), 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 2021/22. It is evident from feedback across each of the three elements that comprise the internal review, that this year's Board effectiveness exercise has been highly positive, and supports the conclusion that the institution has adequate and effective governance arrangements regarding Board effectiveness.

As an enhancement to the effectiveness review process, all three internal elements that comprise the internal annual review, i.e. Review of Governor Contributions, Review of Chair's Effectiveness and the Board Effectiveness Survey, are now combined in a single report and presented annually to the Board. Effectiveness reviews and framework developments reported to the Board in the preceding annual periods back to 2017/18 will be similarly consolidated into annual reports which will all be published on GSA's website for ease of reference. This approach will be codified in a Board Effectiveness Review and Governance Framework Development Policy which will actively and transparently demonstrate GSA's commitment to the Scottish Code of Good HE Governance (2017) and GSA's own focus on the continued application of governance best practice.

In alignment with GSA's obligations under the Scottish Code of Good HE Governance, an externally facilitated evaluation of Board effectiveness is undertaken every five years. The last externally facilitated review in terms of the Code reported in March 2018. Initial; arrangements for the next quinquennial externally-facilitated review of Board effectiveness will be overseen by the Audit and Risk Committee, with appropriate updates and proposals being made to the Board prior to the review commencing.

## Attendance at meetings between 1 August 2021 and 31 July 2022

The attendance of the individual Governors at Board and principal Committee meetings between 1 August 2021 and 31 July 2022 was as follows:

	Board of Governors	Audit and Risk	Business and Estates	Health and Safety	Human Resources	Museum and Archive
Number of Meetings and Attendance						
	8**	5	10***	4	3	4
Ms Kristen Bennie	7		6 of 9			
Professor Graham Caie	8				3	
Ms Polly Christie	0			3 of 3		
Ms Ann Faulds	6 of 7		9			
Professor John French	7					
Ms Muriel Gray	1 of 1		0 of 1			
Mr Thomas Greenough	8			3	3	
Dr Martin Herbert	6	1 of 1		4		
Dr Kate Lampitt Adey	6					4
Dr Simon Learoyd	8	5				
Mr Michael McAuley	8	5	9			
Ms Marianne McInnes	7 of 7			2		
Professor Penny Macbeth	8	5*	10	4	3	3
Ms Kathy Molloy	7			3	3	
Mr Habib Motani	8		9			
Mr David Nutter	5 of 5			2 of 2	1 of 2	
Ms Josie Kay-Ogunsola	3			1 of 3		
Mr Rory O'Neill	7		8	2 of 3		4
Ms Ann Priest	1 of 1					
Mr Harry Rich	6		5			4
Mr James Sanderson	4		8	2		
Dr Graham Sharp	8		9			
Professor Sarah Smith	2 of 3			2 of 2	0 of 1	
Mr Andrew Sutherland	8	5				
Ms Lesley Thomson	2 of 2					
Professor Anne Trefethen	5					4
Mr Tsz Wu	6				2	
Registrar and Secretary	5 of 5*	4 of 4*	6 of 6*	3 of 3*	2 of 2*	

\* 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. In 2021/21, four additional meetings were held.

\*\*\*The Business and Estates Committee normally meets four times each year. In 2020/21, two additional meetings were held in January and May 2021.

The Registrar and Secretary may attend any meeting of the Board.

## 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.

The School approved an Operational Plan for 2021/22 in November 2021, and throughout the course of the remainder of session 2021/22, the Board received regular reports from the Director on progress against its delivery. An Operational Plan for 2022/23 was approved by the Board in October 2022.

Mindful of its responsibility to guide and approve the future strategic direction of GSA, the Board had previously discussed and agreed guiding principles for the development of a new strategic plan. During 2021/22, the plan was developed with input from over 400 staff, students and stakeholders through a consultative and engaged process, alongside externally commissioned foresight research. This process identified where GSA needed to focus attention to ensure excellence across everything we do. It also enabled GSA to understand more fully the challenges, opportunities and the ambition shared for the future of the School, focussed on our deep commitment to our students.

During the year, both the Business and Estates Committee and the Board of Governors were regularly appraised of the progress towards development of the plan, and its associated performance indicators. The Strategic Plan was the main focus of discussions at

the Board of Governors Strategic Away-day held on 4 February 2022, where the Director, together with members of the Senior Leadership Group, provided a presentation in relation to GSA's mission, values, cultures, environment and behaviours; new models of research and education; and how progress toward achievement of our strategic ambitions would be measured by way of implementation plans and by reference to lead indicators. A final draft of the plan, Our Plan for Our Future: Strategic Plan 2022-2027, was approved at the Board meeting in March 2022.

## Risk management

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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. 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 most recent iteration of the Risk Management Framework, approved by the Board in October 2022, supersedes that from October 2019. This will include a review of Key Performance Indicators and of the Institution's Risk Appetite. Detailed engagement on these matters will be undertaken with the Audit and Risk Committee and the Board of Governors.

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 which will engage with the Board (including Board Committees) as appropriate. Overall responsibility for ensuring the School undertakes activities in line with its appetite for risk lies with the Director, with the support of members of the GSA's Senior Leadership Group.

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 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, as referenced above, remains responsible for reviewing the Institutional Risk Register in detail.

Following the earlier combination of a COVID-19 Institutional Risk Register with the standard Institutional Risk Register, the planning and operational management of current and future response to the ongoing COVID-19 situation has been mainstreamed into the working of the GSA Senior Leadership Group. Senior officers continue to engage with the Scottish and UK Governments and Scottish HE sector groups to ensure planning and operational decisions are appropriately informed. In terms of additional Board oversight, in the course of session 2021/22, and as previously agreed, the Institutional Risk Register continued to be provided, for information, to the Business and Estates Committee for comment 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.

Since the publication of the 2020 Enhancement-led Institutional Review (ELIR) Report and QAA Concerns recommendations, a key focus for the Board has been to monitor the School's institutional response. Both the ELIR and National Student Survey have been specific standing items on the Board agenda for session 2021/22.

The School continues to review the implications of BREXIT and the associated risks and mitigations, across a wide range of governance areas, 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. The School has sought to manage and mitigate the risks through close monitoring of all available sources of information, engagement with the wider HE sector, and by the formation of a Brexit Working Group. GSA also continues to engage fully with EU partner organisations.

## Internal control

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### 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 September 2022, the annual report of the Internal Auditor to the Board confirmed that with the exception of the required improvements identified in relation to its report on Staff Development, all of which have been accepted by management and have an agreed remediation plan, Glasgow School of Art:

- has adequate and effective arrangements for risk management, control and governance; and that
- proper arrangements are in place to promote and secure Value for Money.

An opinion that the Internal Auditor arrived at taking into consideration the work it had undertaken during 2020/21 and the work undertaken in previous years since its initial appointment.

The External Auditor also reports to the Director of Finance 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

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As acknowledged by the Scottish Funding Council, the School had until 2020 to fully comply with the Higher Education Governance (Scotland) Act 2016. The Act required substantial changes to the School's governance framework including a new statutory instrument (Order of Council) and associated new rules for the nomination of new categories of member of the Board of Governors and the establishment of a new Academic Council membership. In recent sessions, almost all of the School's documentation has been rewritten and supplemented to align with the terms of the Act and the Scottish Code, and to enhance the codification of the School's commitment to the highest standards of good governance. The amendment to the School's governing instruments involved extensive liaison with the Scottish Government, GSA's solicitors, the Privy Council and OSCR with the new Order of Council coming into force on 30 November 2020 and new Articles of Association being adopted shortly thereafter. With those changes in place, last year, the Board was able to express an opinion that the School had achieved compliance.

In the opinion of the Board, throughout this year, the School has continued to fully comply with all the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance.

## Going concern

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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 2022, income and expenditure, assets, liquidity and cash flows are set out in more detail in the Notes to the Financial Statements.

Last year saw the final cohort of students graduate from the academic programmes that we run in Singapore. The company ceased operations on 31 July 2021. The company holds net assets of £1.3m. The intention remains to dissolve the company.

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

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

**Ann Priest**, Chair of the Board of Governors  
18 January 2023

**Professor Penny Macbeth**, Director  
18 January 2023



# INDEPENDENT AUDITOR'S REPORT





## 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 institution' or 'the School') and its subsidiaries (the 'Group') for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income and Expenditure, Balance Sheet, Cash Flow Statement, Statement of Changes in Reserves, and the related notes 1 to 32, 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 FRS 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 Group's and School's state of affairs as at 31 July 2022 and of the income and expenditure, recognised gains and losses, changes in reserves, and of the Group's 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 below. 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of Governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or School's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

### Other information

The Board of Governors is responsible for the other information. The other information comprises the information included in the annual report set out on pages 1-33, 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 this 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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

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

- The Scottish Funding Council's accounts direction have been met;
- funds from whatever source administered by the institution 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

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

- the information given in the Strategic Report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; 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 pages 22, 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 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 institution 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Group and School operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations we considered in this context were the Charities and Trustee Investment (Scotland) Act 2005, the Companies Act 2006 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

We identified the greatest risk of material impact on the financial statements from irregularities including fraud to be:

- Management override of controls to manipulate the institution's key performance indicators to meet targets;
- Income recognition for specific income streams; and
- Compliance with relevant laws and regulations which directly impact the financial statements and those that the Group and School needs to comply with for the purpose of trading.

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

Our approach was as follows:

- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage income and expenditure. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error;
- We have performed analytical and/or substantive procedures over all significant revenue streams.
- We understood how the institution is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquires through our review of the Board minutes and papers provided to the Audit and Risk Committee, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business and a review of Board minutes to identify any non-compliance with laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 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 Glasgow School of Art and the Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Shaw  
for and on behalf of Anderson Anderson & Brown Audit LLP  
Statutory Auditor  
1 Lochrin Square  
92 Fountainbridge  
Edinburgh  
EH3 9QA

Date: 18 January 2023

# FINANCIAL STATEMENTS



# Group and School Statement of Comprehensive Income

Year ended 31 July 2022

	Note	Year ended 31 July 2022		Year ended 31 July 2021	
		Consolidated	School	Consolidated	School
		£000	£000	£000	£000
<b>Income</b>					
Tuition fees and education contracts	1	19,216	19,216	17,248	16,721
Funding body grants	2	15,320	15,320	16,512	16,512
Research grants and contracts	3	1,309	1,309	2,010	2,010
Other income	4	3,046	3,066	2,279	2,267
Insurance income	4	5,040	5,040	10	10
Development Trust income	4	5	-	5	-
Investment income	5	399	399	296	296
	6	<b>44,335</b>	<b>44,350</b>	<b>38,360</b>	<b>37,816</b>
<b>Expenditure</b>					
Staff costs	7	27,792	27,786	26,455	25,923
Other operating expenses	8	12,661	12,734	12,785	12,678
Mackintosh Building debris clearance and stabilisation work	8	72	72	4,404	4,404
Depreciation	12	2,757	2,757	2,642	2,642
Interest and other finance costs	9	441	441	394	394
		<b>43,723</b>	<b>43,790</b>	<b>46,680</b>	<b>46,041</b>
<b>Surplus/(deficit) before other gains losses and share of operating surplus of joint ventures and associates</b>		<b>612</b>	<b>560</b>	<b>(8,320)</b>	<b>(8,225)</b>
Accumulated income retained within specific endowments	14	519	519	(45)	(45)
(Loss)/Gain on investments - appreciation of endowment assets	14	(106)	(106)	605	605
<b>Surplus/(deficit) before tax</b>		<b>1,025</b>	<b>973</b>	<b>(7,760)</b>	<b>(7,665)</b>
Taxation	11	-	-	-	-
<b>Surplus/(deficit) for the year</b>		<b>1,025</b>	<b>973</b>	<b>(7,760)</b>	<b>(7,665)</b>
<b>Other comprehensive income</b>					
Actuarial gain in respect of pension schemes	28	29,704	29,704	6,284	6,284
Revaluation of heritage assets	13	29	(18)	236	206
Reserve exchange rate adjustment		127	-	-	-
<b>Total comprehensive income for the year</b>		<b>30,885</b>	<b>30,659</b>	<b>(1,240)</b>	<b>(1,175)</b>
Represented by:					
Endowment comprehensive income for the year		413	413	560	560
Restricted comprehensive income for the year		1	-	1	-
Unrestricted comprehensive income for the year		30,442	30,264	(2,037)	(1,941)
Revaluation reserve comprehensive income for the year		29	(18)	236	206
		<b>30,885</b>	<b>30,659</b>	<b>(1,240)</b>	<b>(1,175)</b>

All items of income and expenditure relate to continuing activities. GSofA Singapore is in the process of being closed down and will cease to trade and be liquidated in the year ending 31 July 2023.

## Group and School Statement of Changes in Reserves

Year ended 31 July 2022

	Endowment	Restricted	Income and expenditure reserve	Revaluation reserve	Total
	£000	£000	£000	£000	£000
<b>CONSOLIDATED</b>					
<b>Balance at 1 August 2020</b>	4,703	8,364	7,607	15,053	35,727
Total comprehensive income	560	1	(2,037)	236	(1,240)
Transfers between revaluation and income and expenditure reserve	-	-	98	(98)	-
<b>Balance at 1 August 2021</b>	<b>5,263</b>	<b>8,365</b>	<b>5,668</b>	<b>15,191</b>	<b>34,487</b>
Total comprehensive income	413	1	30,442	29	30,885
Transfers between revaluation and income and expenditure reserve	-	-	96	(96)	-
<b>Balance at 31 July 2022</b>	<b>5,676</b>	<b>8,366</b>	<b>36,204</b>	<b>15,126</b>	<b>65,372</b>
<b>SCHOOL</b>					
<b>Balance at 1 August 2020</b>	4,703	7,910	6,436	15,053	34,102
Total comprehensive income	560	-	(1,941)	206	(1,175)
Transfers between revaluation and income and expenditure reserve	-	-	98	(98)	-
<b>Balance at 1 August 2021</b>	<b>5,263</b>	<b>7,910</b>	<b>4,593</b>	<b>15,161</b>	<b>32,927</b>
Total comprehensive income	413	-	30,264	(18)	30,659
Transfers between revaluation and income and expenditure reserve	-	-	95	(95)	-
<b>Balance at 31 July 2022</b>	<b>5,676</b>	<b>7,910</b>	<b>34,952</b>	<b>15,048</b>	<b>63,586</b>



# Group and School Balance Sheet

As at 31 July 2022

	Note	Year ended 31 July 2022		Year ended 31 July 2021	
		Consolidated	School	Consolidated	School
		£000	£000	£000	£000
<b>Non-current assets</b>					
Fixed assets	12	78,608	78,608	73,467	73,467
Heritage assets	13	13,536	13,393	13,507	13,411
Investments	14	5,676	5,676	5,263	5,263
		<b>97,820</b>	<b>97,677</b>	92,237	92,141
Pension asset	20	6,370	6,370	-	-
<b>Current assets</b>					
Stock	16	129	129	123	123
Debtors greater than one year	17	5,252	-	5,251	-
Trade and other receivables	17	6,915	7,668	1,923	2,511
Cash and cash equivalents	23	22,155	19,983	31,146	29,300
		<b>34,451</b>	<b>27,780</b>	38,443	31,934
<b>Less Creditors:</b> amounts falling due within one year	18	<b>(9,238)</b>	<b>(9,211)</b>	(10,496)	(10,451)
<b>Net current assets</b>		<b>25,213</b>	<b>18,569</b>	27,947	21,483
<b>Total assets less current liabilities</b>		<b>129,403</b>	<b>122,617</b>	120,184	113,624
<b>Creditors:</b> amounts falling due after more than one year	19	<b>(63,296)</b>	<b>(58,296)</b>	(65,047)	(60,047)
<b>Provisions</b>					
Pension provisions	20	(735)	(735)	(20,650)	(20,650)
<b>Total net assets</b>		<b>65,372</b>	<b>63,586</b>	34,487	32,927
<b>Restricted Reserves</b>					
Endowment reserve	21	5,676	5,676	5,263	5,263
Restricted reserve	22a	8,366	7,910	8,365	7,910
<b>Unrestricted Reserves</b>					
Income and expenditure reserve	22b	36,204	34,952	5,668	4,593
Revaluation reserve	22c	15,126	15,048	15,191	15,161
<b>Total Reserves</b>		<b>65,372</b>	<b>63,586</b>	34,487	32,927

The financial statements were approved by the Board of Governors on 18 January 2023 and were signed on its behalf on that date by:

Professor Penny Macbeth, Director

Ann Priest, Chair of the Board of Governors

Company no: SC002271

## Group Statement of Cash Flows

Year ended 31 July 2022

	Note	2022 £000	2021 £000
<b>Cash flow from operating activities</b>			
Surplus/(deficit) for the year		1,025	(7,760)
<b>Adjustment for non-cash items</b>			
Depreciation	12	2,757	2,642
(Increase) in stock	16	(6)	-
(Increase)/decrease in debtors	17	(4,992)	1,696
(Decrease)/increase in creditors	18	(295)	1,131
(Decrease) in pension provision	20	(74)	(74)
Tax paid	11	-	(76)
Staff costs - FRS102 pension adjustment	7	3,150	2,520
<b>Adjustment for investing or financing activities</b>			
Release of deferred capital grants	19	(1,242)	(1,309)
Movement in investment in joint venture		-	38
Loss/(gain) on investments	14	106	(605)
Accumulated income of endowment investments	21	(519)	45
Investment income	5	(399)	(296)
Interest payable	9	441	394
<b>Net cash inflow from operating activities</b>		<b>(48)</b>	<b>(1,654)</b>
<b>Cash flows from investing activities</b>			
Investment income	5	399	296
Payments made to acquire fixed assets	12	(7,897)	(1,266)
		<b>(7,498)</b>	<b>(970)</b>
<b>Cash flows from financing activities</b>			
Interest paid	9	(99)	(51)
New unsecured loans	18,19	-	10,000
Repayments of loan amounts borrowed	18,19	(1,346)	(403)
		<b>(1,445)</b>	<b>9,546</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>(8,991)</b>	<b>6,922</b>
Cash and cash equivalents at beginning of the year	23	31,146	24,224
Cash and cash equivalents at end of the year	23	22,155	31,146
<b>Decrease/increase in cash and cash equivalents in the year</b>		<b>(8,991)</b>	<b>6,922</b>

The reconciliation of net debt appears in Note 24

# Statement of principal accounting policies and estimation techniques

Year ended 31 July 2022

## 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. Basis of preparation

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 accounting standards.

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 2022, 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 2022 and of the results for the year ended on that date.

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

## 3. 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.

GSA has prepared a 5-year financial plan that plan forecasts that the Group will generate income and manage its expenditure such that it will generate and maintain sufficient working capital to deliver its activities and projects and anticipates that the Group will continue to do so over the period of those future financial plans. In addition, the Group continues to carry significant cash balances to support liquidity in the event of an adverse financial event.

Having taken account of risk and uncertainty, the Board considers that the School and Group have 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.

GSofA Singapore Pte Ltd, ceased to trade at the end of July 2021. The intention is to settle its affairs and dissolve the company.

## 4. 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.

## 5. 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, GSofA Singapore Pte Ltd. 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 have not been consolidated because Glasgow School of Art does not exert control or dominant influence over the Association's policy decisions.

## 6. Recognition of Income

Government revenue grants including the Scottish Funding Council's 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.

## 7. Interest receivable

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

## 8. 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.

## 9. 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.

## 10. 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.

## 11. 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.

## 12. 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.

## 13. Property, plant and equipment

### Land and Buildings

Land is stated at cost or valuation and is not depreciated while 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 2022. 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.

#### 14. Assets held for the Nation: Heritage Assets

Glasgow School of Art holds and conserves heritage assets for future generations. As a general policy, all heritage assets are recognised in the Balance Sheet. The costs or values have been obtained by a range of independent valuers or, 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, an estimated value is assigned to the asset based on previous valuations and the research, experience and knowledge of staff.

The carrying value of heritage assets is based on the insurance value as at 31 July 2022, and is updated on a quarterly basis to reflect ongoing acquisitions. The carrying value is reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration, damage or breakage. Any disposal of heritage assets will be noted in the Balance Sheet and will follow the procedures as set out in section 16 of the Collections Development Policy.

#### 15. Investments

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

**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.

#### 16. Stocks

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

#### 17. 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.

#### 18. Debtors

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

#### 19. 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.

#### 20. 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.

#### 21. SFC University Financial transactions

The SFC University Financial transaction programme for Financial year 2020-21 offered access to low-interest loans to support carbon reduction activity, estates development and the student experience. GSA was successful in securing access to such a loan for works at the Stow Building. 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. Contingent assets and liabilities

A contingent asset arises where an event has taken place that gives the School or Group a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the School or Group.

A contingent liability arises from a past event that gives the School or Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the School or Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

## 28. 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 in respect of Value Added Tax.

Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT on 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.

## 29. 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.

## 30. 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 to expected life cycles.

### Impairment of fixed assets

There was consequential damage to the Reid, Bourdon and Assembly Buildings, arising from the 2018 Mackintosh Building fire. In the aftermath of the fire, the value of those buildings has been impaired, equal to the proportion that the damage element represented of the net book value of the whole asset immediately following the fire.



**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 evaluation, 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 28.

**The valuation of the heritage assets**

The balance sheet valuation of the archives is based on their insurance value and that of the collection assets is based on an assessment of their commercial value. Those sums arise

out of the valuations carried out by a range of independent valuers.

**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 to 2020/21, in respect of stabilising the remaining structure and site clearance costs have been expensed. Entering 2021/22 marked a transition from work associated with clearance and stabilisation to one where we have begun the preliminary efforts relating to the building's reconstruction, so the costs incurred in relation to that building are now being capitalised.

**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 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
Scotland home domicile fees	2,620	2,620	2,293	2,293
EU domicile fees	925	925	1,046	1,046
RUK domicile fees	3,212	3,212	3,540	3,540
Non-EU domicile fees	11,704	11,704	9,685	9,158
Education contracts	507	507	503	503
Non-credit bearing course fees	248	248	180	180
	<b>19,216</b>	<b>19,216</b>	<b>17,248</b>	<b>16,721</b>

### 2 Funding body grants

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
General fund - Teaching	8,648	8,648	7,969	7,969
General fund - Research and Knowledge Exchange	1,749	1,749	2,177	2,177
Small specialist institution grant	2,996	2,996	2,937	2,937
Non-recurring COVID-19 support	114	114	1,169	1,169
Other SFC grants	603	603	982	982
Deferred capital grants released in year: Buildings	1,110	1,110	1,178	1,178
Equipment	100	100	100	100
	<b>15,320</b>	<b>15,320</b>	<b>16,512</b>	<b>16,512</b>

### 3 Research grants and contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
Research councils	521	521	480	480
Research charities	13	13	45	45
Government (UK and overseas)	740	740	1,430	1,430
Industry and commerce	30	30	43	43
Other	5	5	12	12
	<b>1,309</b>	<b>1,309</b>	<b>2,010</b>	<b>2,010</b>

### 4 Other income

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
Residences	1,761	1,761	741	741
Release from deferred capital grants (Non SFC)	32	32	32	32
Other income generating activities	235	235	186	186
Other income	1,018	1,037	774	762
COVID-19 Job Retention Scheme grant	-	-	546	546
	<b>3,046</b>	<b>3,066</b>	<b>2,279</b>	<b>2,267</b>
Insurance monies (including accrued income)	5,040	5,040	10	10
Development Trust income	5	-	5	-

## 5 Investment income

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
Investment income on endowments	351	351	283	283
Other investment income	48	48	13	13
	<b>399</b>	<b>399</b>	296	296

## 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 2022		Year ended 31 July 2021	
	Consolidated £000		Consolidated £000	
Glasgow	44,335		37,820	
Singapore	-		540	
	<b>44,335</b>		<b>38,360</b>	

## 7 Staff costs

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
Salaries	18,889	18,883	18,284	17,977
Social security costs	1,944	1,944	1,807	1,799
Pensions	3,622	3,622	3,350	3,341
Pension FRS 102 service charge (note 28)	3,150	3,150	2,520	2,520
Severance and redundancy costs	187	187	494	286
Total	<b>27,792</b>	<b>27,786</b>	26,455	25,923

Staff costs per activity

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
Academic	10,220	10,214	9,955	9,423
Academic support	3,787	3,787	3,608	3,608
Research	2,735	2,735	2,720	2,720
Other support	2,098	2,098	2,215	2,215
Admin and central services	3,683	3,683	3,378	3,378
Premises	1,729	1,729	1,668	1,668
Residences	176	176	105	105
Pension FRS 102 service charge (note 28)	3,150	3,150	2,520	2,520
Severance and redundancy costs	214	214	286	286
	<b>27,792</b>	<b>27,786</b>	26,455	25,923

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

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated Nos	School Nos	Consolidated Nos	School Nos
Academic	126	126	132	125
Academic support	90	90	90	90
Research	32	32	36	36
Other support	39	39	42	42
Admin and central services	50	50	48	48
Premises	61	61	61	61
Residences	3	3	2	2
	<b>401</b>	<b>401</b>	411	404

**Emoluments of Director**

	<b>Year ended 31 July 2022</b>	Year ended 31 July 2021
	Consolidated & School £000	Consolidated & School £000
<i>Emoluments of Director</i>		
Salary	<b>155</b>	155
Other taxable benefits: Business continuity allowance	-	12
Pension contributions	<b>36</b>	37
	<b>191</b>	<b>204</b>

The ratio of the remuneration of the Director to the median salary of a permanent staff member is 5.42:1 (2021: 5.80:1)

**Compensation for loss of office payable to senior post holders**

	<b>Year ended 31 July 2022</b>		Year ended 31 July 2021	
	Consolidated & School Number	£000	Consolidated & School Number	£000
Payments in excess of £100k during the year	<b>1</b>	<b>147</b>	-	-

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the institution. Staff costs include compensation paid to key management personnel. GSA defines its key management personnel as being members of its Senior Leadership Group and staff governors. The key management personnel emoluments are made up as follows:

	<b>Year ended 31 July 2022</b>		Year ended 31 July 2021	
	Consolidated & School £000		Consolidated & School £000	
Salaries	<b>1,573</b>		1,534	
Employer's National Insurance	<b>209</b>		190	
Pension contributions	<b>337</b>		323	
Total emoluments	<b>2,119</b>		<b>2,047</b>	
	Number		Number	
The number of directors receiving benefits under defined benefit schemes:	<b>6</b>		6	

The emoluments of the key management personnel, excluding pension contributions, in the following ranges were:

	<b>Year ended 31 July 2022</b>		Year ended 31 July 2021	
	Consolidated & School Number		Consolidated & School Number	
£100,001 to £110,000	<b>1</b>		1	
£110,001 to £120,000	-		1	
£120,001 to £130,000	<b>1</b>		1	
£150,001 to £160,000	<b>1</b>		-	
£160,001 to £170,000	-		1	
	<b>3</b>		<b>4</b>	

### Governors' emoluments

Only the Chair of the Board of Governors and those GSA staff who serve as governors receive payment for their services. Those emoluments are made up as follows:

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated & School £000		Consolidated & School £000	
<i>Emoluments of Chair</i>				
Salaries	17		16	
Employer's National Insurance	1		1	
Pension contributions	-		-	
	<b>18</b>		<b>17</b>	
<i>Emoluments of Staff Governors</i>				
Salaries	392		351	
Employer's National Insurance	51		44	
Pension contributions	89		76	
	<b>532</b>		<b>471</b>	
<i>Total emoluments of Chair and Staff Governors</i>				
Salaries	409		367	
Employers National Insurance	52		45	
Pension contributions	89		76	
Total emoluments	<b>550</b>		<b>488</b>	

### 8 Other operating expenses

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated	School	Consolidated	School
	£000	£000	£000	£000
Academic and related expenditure	2,527	2,527	2,532	2,514
Administration and central services	2,443	2,443	2,329	2,267
Premises	3,871	3,871	4,222	4,199
Residences, catering and conferences	1,767	1,767	1,947	1,947
Development Trust expenditure	4	-	4	-
Research grants and contracts	871	871	688	688
Other expenses	1,178	1,255	1,063	1,063
	<b>12,661</b>	<b>12,734</b>	<b>12,785</b>	<b>12,678</b>
Mackintosh Building debris clearance and stabilisation work	72	72	4,404	4,404

### 9 Interest and other finance costs

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated	School	Consolidated	School
	£000	£000	£000	£000
Mortgage and loan interest	99	99	51	51
Net charge on pension scheme (note 28)	342	342	343	343
	<b>441</b>	<b>441</b>	<b>394</b>	<b>394</b>



## 10 (Deficit)/surplus

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
The deficit is stated after charging for:				
External auditor's remuneration : audit of the financial statements	46	46	27	27
External auditor's remuneration : subsidiaries	3	-	6	-
External auditor's remuneration : taxation compliance	4	4	2	2
External auditor's remuneration : other audit work	4	4	3	3
Internal auditor's remuneration in respect of audit services	37	37	28	28
Internal auditor's remuneration other services	-	-	-	-
Depreciation - owned assets	2,757	2,757	2,642	2,642
Operating leases - land and buildings	1,657	1,657	1,733	1,733

## 11 Taxation

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
Recognised in the statement of comprehensive income				
Current tax				
School	-	-	-	-
Tax re GSofA Singapore Pte Ltd	-	-	-	-
Total tax expense	-	-	-	-

No corporation tax was due on the activities of the School (2021: nil).

## 12 Fixed assets

Group and School	Freehold Land and Buildings	Equipment and Fixtures & Fittings	Assets in the Course of Construction	Total
	£000	£000	£000	£000
<b>Cost/valuation</b>				
At 1 August 2021	89,954	10,749	1,311	102,014
Additions	624	529	6,942	8,095
Disposals	(114)	-	-	(114)
<b>At 31 July 2022</b>	<b>90,464</b>	<b>11,278</b>	<b>8,253</b>	<b>109,995</b>
<b>Consisting of valuation as at:</b>				
1 July 1995	15,890	-	-	15,890
Cost	74,574	11,278	8,253	94,105
	<b>90,464</b>	<b>11,278</b>	<b>8,253</b>	<b>109,995</b>
<b>Depreciation</b>				
At 1 August 2021	21,211	7,336	-	28,547
Charge for the year	1,924	1,030	-	2,954
Disposals	(114)	-	-	(114)
<b>At 31 July 2022</b>	<b>23,022</b>	<b>8,366</b>	<b>-</b>	<b>31,388</b>
<b>Net book value</b>				
<b>At 31 July 2022</b>	<b>67,442</b>	<b>2,912</b>	<b>8,253</b>	<b>78,608</b>
At 31 July 2021	68,743	3,413	1,311	73,467

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 the 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, 2019/20 2020/21 and 2021/22 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 £1,169,679 (2021: £1,292,755) 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.

<b>Valuation of Land &amp; Buildings (Including Inherited Land &amp; Buildings)</b>	<b>As at 31 July 2022</b>	<b>As at 31 July 2021</b>
	£000	£000
Land and buildings have been included at valuation with the following amounts:		
Increase from valuation of inherited buildings	<b>3,346</b>	3,346
Increase from valuation of purchased buildings	<b>877</b>	877
Aggregate depreciation on revalued amount	<b>(2,568)</b>	(2,474)
<b>Net book value</b>	<b>1,655</b>	1,749

The inherited land and buildings concerned were all inherited prior to the 1995 valuation at nil cost. The net book value is £ 1,265,478 (2020/21: £1,339,732).

The revalued buildings were purchased prior to the revaluation in 1995.

### 13 Heritage assets

The heritage assets include the School's institutional archives dating back to 1845 along with archives from artists, societies and alumni associated with the School; and the museum collection includes the Charles Rennie Mackintosh Collection – a Recognised Collection of National Significance, and significant collections of artworks, textiles and silverware. It also includes the Library's rare and valuable books collection. The balance sheet valuation of the archives is based on their insurance value and that of the collection assets is based on an assessment of their commercial value. Additions to the collection are valued at the time of acquisition and 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.

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.

	<b>2022</b>	<b>2021</b>	2020	2019	2018
	£000	£000	£000	£000	£000
<b>School</b>					
Value of heritage assets acquired by donation, 1 August	<b>13,411</b>	13,205	12,719	12,719	12,919
Adjustments to valuation or cost	<b>(18)</b>	206	486	-	(200)
Balances as at 31 July	<b>13,393</b>	13,411	13,205	12,719	12,719
<b>Glasgow School of Art Development Trust</b>					
Value of heritage assets acquired by donation, 1 August	<b>96</b>	66	66	66	66
Adjustments to valuation or cost	<b>47</b>	30	-	-	-
Balances as at 31 July	<b>143</b>	96	66	66	66
<b>Group Total</b>	<b>13,536</b>	13,507	13,271	12,785	12,785

### 14 Endowments

<b>Group and School</b>	<b>2022</b>	2021
	£000	£000
<b>At 1 August</b>	<b>5,263</b>	4,703
Additions	<b>875</b>	1,755
Disposals	<b>(834)</b>	(1,817)
Increase/(decrease) in cash balances held at fund managers	<b>478</b>	17
Appreciation of endowment asset investments in year	<b>(106)</b>	605
<b>At 31 July</b>	<b>5,676</b>	5,263

## 15 Non-current investments

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

Company	Principal activity	Class of shares	Percentage owned
GSofA Singapore Ltd	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, an unincorporated body, is to raise funds to support the strategic priorities of The Glasgow School of Art.	n/a	n/a

## 16 Stock

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
General consumables	129	129	123	123
	<b>129</b>	<b>129</b>	123	123

## 17 Trade and other receivables

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
Amounts falling due within one year:				
Trade debtors	290	281	244	244
Insurance debtor	5,000	5,000	-	-
Debts due from students	385	385	449	449
Amounts due from subsidiary companies	-	763	-	745
Amounts due from related parties	-	-	12	12
Prepayments and accrued income	1,240	1,239	1,218	1,061
	<b>6,915</b>	<b>7,668</b>	1,923	2,511
Amounts falling due in more than one year:				
Development funding debtor	5,252	-	5,251	-

## 18 Creditors: amounts falling due within one year

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
Trade creditors	167	167	492	486
Secured loans	-	-	718	718
Unsecured loan	628	628	628	628
Payments in advance	2,421	2,421	2,324	2,324
Deferred capital grants	1,190	1,190	1,309	1,309
Taxation and social security	7	7	29	19
Research contracts accrual	2,002	2,002	2,038	2,038
Corporate tax	-	-	-	-
Accruals and deferred income	2,823	2,796	2,958	2,929
	<b>9,238</b>	<b>9,211</b>	10,496	10,451

## 19 Creditors: amounts falling due in more than one year

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
Unsecured loan	9,343	9,343	9,971	9,971
Deferred capital grants	53,953	48,953	55,076	50,076
	<b>63,296</b>	<b>58,296</b>	<b>65,047</b>	<b>60,047</b>
<i>Analysis of secured and unsecured loans:</i>				
Due within one year or on demand (note 18)	628	628	1,346	1,346
Due after more than one year				
Due between one and two years	628	628	628	628
Due between two and five years	1,883	1,883	1,883	1,883
Due in five years or more	6,832	6,832	7,460	7,460
	<b>9,343</b>	<b>9,343</b>	<b>9,971</b>	<b>9,971</b>
Total secured and unsecured loans	<b>9,971</b>	<b>9,971</b>	<b>11,317</b>	<b>11,317</b>
Secured loans	-	-	718	718
Unsecured loan	9,971	9,971	10,599	10,599
	<b>9,971</b>	<b>9,971</b>	<b>11,317</b>	<b>11,317</b>

*Details of loans*

Barclays combined loan: A secured loan, repayable by quarterly instalments until December 2026, with a fixed interest rate of 5.59%, which was repaid in full during the year.

Salix loan: An unsecured 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.

SFC Financial Transactions: An unsecured loan, repayable in quarterly instalments. This loan, from the Scottish Funding Council under the Universities Financial Transactions Programme to fund the further development of the Stow Building, is repayable over 20 years with a fixed interest rate of 0.25%.

*Security and charges*

The security on the Barclays loan over the Sir Harry Barnes Building and the Margaret MacDonald House Residence was discharged upon the loan's repayment.

During the year, Scottish ministers agreed to discharge the security they held over the Mackintosh Building relating to their funding contribution to previous renovation works

**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
<b>Group</b>			
As at 1 August 2021			
Buildings	55,872	214	56,086
Equipment	299	-	299
	<u>56,171</u>	<u>214</u>	<u>56,385</u>
Released to Income and Expenditure			
Buildings	(1,111)	(32)	(1,143)
Equipment	(99)	-	(99)
	<u>(1,210)</u>	<u>(32)</u>	<u>(1,242)</u>
<b>As at 31 July 2022</b>			
Buildings	<b>54,761</b>	<b>182</b>	<b>54,943</b>
Equipment	<b>200</b>	<b>-</b>	<b>200</b>
	<b><u>54,961</u></b>	<b><u>182</u></b>	<b><u>55,143</u></b>
<b>School</b>			
As at 1 August 2021			
Buildings	45,872	5,214	51,086
Equipment	299	-	299
	<u>46,171</u>	<u>5,214</u>	<u>51,385</u>
Released to Income and Expenditure			
Buildings	(1,111)	(32)	(1,143)
Equipment	(99)	-	(99)
	<u>(1,210)</u>	<u>(32)</u>	<u>(1,242)</u>
<b>As at 31 July 2022</b>			
Buildings	<b>44,761</b>	<b>5,182</b>	<b>49,943</b>
Equipment	<b>200</b>	<b>-</b>	<b>200</b>
	<b><u>44,961</u></b>	<b><u>5,182</u></b>	<b><u>50,143</u></b>

**Expected release of Deferred Capital Grants:**

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
Expected within one year or on demand	1,190	1,190	1,309	1,309
Expected between one and two years	1,190	1,190	1,309	1,309
Expected between two and five years	3,570	3,570	3,927	3,927
Expected in five years or more	49,193	44,193	49,840	44,840
	<b><u>55,143</u></b>	<b><u>50,143</u></b>	<u>56,385</u>	<u>51,385</u>

**20 Pension provisions and assets**

	Pension on termination <sup>1</sup> £000	Defined benefit obligation <sup>2</sup> (note 28) £000	Total Pension Provisions £000
<b>Group and School</b>			
At 1 August 2021	808	19,842	20,650
Income and expenditure movement	(73)	3,492	3,419
Actuarial gain	-	(29,704)	(29,704)
<b>Provision/(asset) at 31 July 2022</b>	<b>735</b>	<b>(6,370)</b>	<b>(5,635)</b>

<sup>1</sup> The provision for past service pensions relates to unfunded enhanced early retirements given in prior years. The provision was calculated by a firm of actuaries in July 2021 and this valuation was amended for movements in the current and prior year.

<sup>2</sup> The actuarial review of GSA's participation in the Strathclyde Pension Fund at 31 July 2022, for accounting purposes, signalled a change from a net liability to a net asset.



## 21 Endowment reserves

Group and School	Restricted permanent endowments	Expendable endowments	2022 TOTAL	2021 TOTAL
	£000	£000	£000	£000
<b>Balances at 1 August</b>				
Capital	4,937	371	5,308	4,690
Accumulated income	(45)	-	(45)	13
	4,892	371	5,263	4,703
Investment income	824	-	824	280
Expenditure	(305)	-	(305)	(325)
Increase/(decrease) in market value of investments	(106)	-	(106)	605
<b>Total endowment comprehensive income for the year</b>	413	-	413	560
<b>At 31 July</b>	<b>5,305</b>	<b>371</b>	<b>5,676</b>	5,263
<b>Represented by:</b>				
Capital	4,786	371	5,157	5,308
Accumulated income	519	-	519	(45)
	5,305	371	5,676	5,263
<b>Analysis by type of purpose:</b>				
Prize funds	5,305	-	5,305	4,892
General	-	371	371	371
	5,305	371	5,676	5,263
<b>Analysis by asset:</b>				
Current and non-current asset investments			4,580	4,645
Cash & cash equivalents			1,096	618
			5,676	5,263

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.

## 22a Restricted reserves

Reserves with restrictions are as follows:

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
<b>Campus redevelopment reserve</b>				
<b>Balances at 1 August</b>	<b>8,365</b>	<b>7,910</b>	8,364	7,910
Income	5	-	5	-
Expenditure	(4)	-	(4)	-
<b>Total restricted comprehensive income for the year</b>	<b>1</b>	<b>-</b>	1	-
<b>At 31 July</b>	<b>8,366</b>	<b>7,910</b>	8,365	7,910
<b>Analysis of other restricted funds/donations by type of purpose</b>				
Campus redevelopment (including Mackintosh restoration)	8,366	7,910	8,365	7,910

## 22b Income and expenditure reserve

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

## 22c Revaluation reserve

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

## 23 Cash and cash equivalents

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
<b>Balance at 1 August</b>	<b>31,146</b>	<b>29,300</b>	24,224	22,799
Cash flow, in year	(8,991)	(9,317)	6,922	6,501
<b>Balance at 31 July</b>	<b>22,155</b>	<b>19,983</b>	31,146	29,300

## 24 Consolidated reconciliation of net debt

	2022 £000
<b>Net debt 1 August</b>	<b>(19,829)</b>
Decrease in cash and cash equivalents	8,991
Repayment of borrowings	(1,346)
<b>Net debt 31 July</b>	<b>(12,184)</b>
<b>Change in net debt</b>	<b>7,645</b>

### Analysis of net debt

	2022 £000	2021 £000
<b>Cash and Cash equivalents</b>	<b>22,155</b>	31,146
<b>Borrowings: amounts falling due within one year</b>		
Secured loans	-	718
Unsecured loans	628	628
	<b>628</b>	1,346
<b>Borrowings: amounts falling due after more than one year</b>		
Unsecured loans	9,343	9,971
	<b>9,343</b>	9,971
<b>Net debt/(positive net cash position)</b>	<b>(12,184)</b>	(19,829)

## 25 Lease obligations

Total rentals payable under operating leases:	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	School £000	Consolidated £000	School £000
<b>Future minimum lease payments due:</b>				
Not later than 1 year	1,606	1,606	1,246	1,246
Later than 1 year and not later than 5 years	5,569	5,569	3,766	3,766
Later than 5 years	11,597	11,597	12,620	12,620
<b>Total lease payments due</b>	<b>18,772</b>	<b>18,772</b>	17,632	17,632

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

## 26 Subsidiary and Joint Venture undertaking

### *GSofA Singapore pte Ltd*

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 2022.

The transactions between GSA and GSofA Singapore related to management costs paid from GSofA Singapore to GSA of £18,662 (2021: £488,642). As at 31 July 2022, a debtor of £763k (2021: £745k) is outstanding at the year end.

With the graduation of the final cohort of students from the academic programmes that we ran in Singapore, the company ceased operations on 31 July 2021. At 31 July 2022, the company holds net assets of £1.3m. The intention remains to dissolve the company. No dividend has been declared by GSofA Singapore Pte Ltd in the current year (2021: £nil).

### *Glasgow School of Art Development Trust*

This was established, as an unincorporated body, 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 2022.

During the year no funds were donated by The Glasgow School of Art Development Trust to GSA.

The audit fee £3,600 (2021:£3,720) is paid on behalf of The Glasgow School of Art Development Trust by GSA.

## 27 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 relationship that the School has with GSA Students Association (GSASA) to have the characteristics of related parties under the Financial Reporting Standard (FRS) 102:

- Grants paid to GSASA in 2021/22 totalled £234,000 (2020/21 £165,000).
- The balance owed to GSA at the year end, and included in debtors, is £12,340 (2021:£12,340).

## 28 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 cash cost of the SPF scheme was £1,767,000 for the Group and School (2020/21: £1,549,000 for the Group and School) and the cost of the STPS was £1,805,000 for the Group and School (2020/21: £1,737,000 for the Group and School). Other pension costs totalled £50,000 for the Group and School (2020/21: £64,000 for the Group and £56,000 for the School).

### a. 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 2022. The employer contribution rate for the period from 1 August 2021 to 31 March 2022 was 20.8% of pay; rising to 24.1% for the period 1 April 2022 to 31 July 2022. The employee contribution rate was variable during 2021/22 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:

	2022	2021
<b>Financial assumptions</b>		
Pension increase	2.75%	2.85%
Salary increase rate	3.45%	3.55%
Discount rate	3.50%	1.60%
<b>Mortality assumptions</b>		
The average future life expectancies at age 65 used to determine benefit obligations are as follows:		
	<b>Male</b>	<b>Female</b>
Current pensioners	19.6 years	22.4 years
Future pensioners	21.0 years	24.5 years

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

	2022 £000	2021 £000
Equities	35,413	37,839
Bonds	15,936	13,760
Property	6,492	5,160
Cash	1,180	573
	<b>59,021</b>	<b>57,332</b>

**Analysis of the amount shown in the balance sheet**

	2022 £000	2021 £000
Fair value of plan assets	59,084	57,332
Present value of funded benefit obligations	(52,714)	(77,174)
Pension asset/(liability)	<b>6,370</b>	<b>(19,842)</b>

**Analysis of the amounts charged to Profit & Loss**

	2022 £000	2021 £000
Service costs	4,917	4,069
Past service costs	-	-
Employer contributions	(1,767)	(1,549)
	<b>3,150</b>	<b>2,520</b>
Interest income on plan assets	(926)	(668)
Interest cost on defined benefit obligation	1,268	1,011
<b>Net interest cost</b>	<b>342</b>	<b>343</b>
<b>Net charge on pension liability to SOCI</b>	<b>3,492</b>	<b>2,863</b>

Actual return less expected return on pension scheme assets	(343)	8,466
Experience gains and losses arising on the scheme liabilities	(146)	2,466
Changes in financial assumptions underlying the present value of the scheme liabilities	30,193	(4,648)
<b>Actuarial gain recognised in Other Comprehensive Income</b>	<b>29,704</b>	<b>6,284</b>

**Analysis of movements in present value of the scheme liabilities**

	2022 £000	2021 £000
<b>Opening defined benefit obligation</b>	<b>77,174</b>	<b>70,500</b>
Current service cost	4,917	4,069
Past service cost	-	-
Interest cost	1,268	1,011
Contribution by members	528	499
Actuarial gains	30,193	4,648
Experience gains and losses	146	(2,466)
Benefits paid	(1,126)	(1,087)
<b>Closing defined benefit obligation</b>	<b>52,714</b>	<b>77,174</b>

**Analysis of movements in fair value of the scheme assets**

	2022 £000	2021 £000
<b>Opening fair value of employer assets</b>	<b>57,332</b>	<b>47,237</b>
Expected return on assets	926	668
Contributions by members	528	499
Contribution by employer	1,767	1,549
Actuarial (losses)/gains	(343)	8,466
Benefits paid	(1,126)	(1,087)
<b>Closing fair value of employer assets</b>	<b>59,084</b>	<b>57,332</b>

The School expects to contribute approximately £1,702k to the Strathclyde Pension Fund in the next year. The cumulative actuarial gain at 31 July 2022 was £24,045k (2020/21: loss of £5,659k).

#### 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 2022	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	1,155
1 year increase in member life expectancy	4%	2,104
0.1% increase in the Salary Increase Rate	0%	138
0.1% increase in the Pension Increase Rate	2%	1,022

#### b. Scottish Teachers' Superannuation Scheme

Glasgow School of Art participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions.

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 2020 is 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. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

Glasgow School of Art's level of participation in the scheme was 0.24% based on its 2020/21 cost (£1,549,000) as a proportion of the employer contributions paid in 2020/21 (£654.6m).

#### 29 Bursary and Other Student Support Funds

	Undergraduate discretionary fund £000	Postgraduate discretionary fund £000	Childcare fund £000	COVID-19 discretionary fund £000	2022 Total £000	2021 Total £000
Balance brought forward at 1 August	-	-	-	-	-	-
Funds available in year	96	30	10	161	297	353
Expenditure in year	(96)	(30)	(10)	(161)	(297)	(353)
Balance carried forward at 31 July	-	-	-	-	-	-

#### 30 Capital commitments

At 31 July 2021 there were capital commitments of £779,543 (2021: £1,624,874).

### 31 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.

The fire also caused consequential damage to the Reid, Bourdon and Assembly Buildings, while the insurance company has accepted the claim under the terms of the policy, the actual cost of the repair work and its timing remain uncertain, as such the amount of the insurance claim and the timing of its receipt is uncertain, and thus this has been disclosed as a contingent asset.

### 32 US Department of Education - Financial Responsibility Supplemental Schedule

In satisfaction of its obligations to facilitate students' access to US federal financial aid, GSA is required, by the US Department of Education, to present, the following Supplemental Schedule in a prescribed format.

The amounts presented within the schedules have been:

- prepared under the historical cost convention, subject to the revaluation of certain fixed assets;
- prepared using United Kingdom generally accepted accounting practice, in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 edition);
- presented in pounds sterling.

The schedules set out how each amount disclosed has been extracted from the financial statements. As set out above, the accounting policies used in determining the amounts disclosed are not intended to and do not comply with the requirements of accounting principles generally accepted in the United States of America

The aim of the schedules is to support GSA in meeting the requirements of the US Department of Education's Federal Loan scheme, and not the requirements of the SORP; the schedule does not form part of the SORP; and the schedules have not been considered nor reviewed by the Financial Reporting Council.

#### Primary Reserve ratio

			Year ended 31 July 2022	Year ended 31 July 2021
			£GBP	£GBP
31	Balance Sheet - Total Equity	Total equity	£ 65,372,000	£ 34,487,000
4,5,10	Balance Sheet - All related party receivable, net and Receivable from related affiliate, net and Related party note*	Secure and Unsecured related party receivables and/or other related party assets	£ -	£ -
4,10	Balance Sheet - Related party receivable net and Receivable from affiliate, net and Related party note*	Unsecured related party receivables and /or other related party assets	£ -	£ -
8	Balance Sheet - Property, Plant and Equipment, Net*	Property, Plant and Equipment, net – including construction in progress	£ 92,145,000	£ 86,974,000
FS Note line 8A	Note of the Financial Statements - Balance sheet - Property, Plant and Equipment, net – pre-implementation	Property, Plant and Equipment, net – pre-implementation less any construction in progress	£ 81,112,000	£ 83,867,000
FS Note line 8B	Note of the Financial Statements - Balance sheet - Property, Plant and Equipment, net post-implementation with outstanding	Property, Plant and Equipment, net – post-implementation less any construction in progress with outstanding debt for original purchase	£ -	£ -
FS Note line 8D	Note of the Financial Statements - Balance sheet - Property, Plant and Equipment, net post-implementation without outstanding	Property, Plant and Equipment, net – post-implementation less any construction in progress with outstanding debt for original purchase	£ 2,780,000	£ 1,796,000
FS Note line 8C	Note of the Financial Statements - Balance sheet - Property, Plant and Equipment, Construction in progress	Construction in progress	£ 8,253,000	£ 1,311,000
9	Balance Sheet – Lease right-of-use asset*	Lease right-of-use asset*	£ -	£ -
Excluded 9 Note leases	Note of Financial Statements - Balance Sheet – Lease right-of-use asset pre-implementation	Lease right-of-use asset pre-implementation	£ -	£ -
M9 Note Leases	Note of Financial Statements - Balance Sheet – Lease right-of-use asset post-implementation	Lease right-of-use asset post-implementation	£ -	£ -
11	Balance Sheet – Goodwill*	Intangible Assets	£ -	£ -
27	Balance Sheet – Post-employment and pension liability*	Post-employment and defined pension plan liabilities	£ 5,635,000	£ 20,650,000
15,19,20,23, 24	Balance Sheet – Notes payable and Line of Credit (both current and long-term) and Line of Credit for Construction in process*	Long term debt- for long-term purposes and Construction in process debt	£ 9,971,000	£ 11,317,000
M15,19,20,23, 24 Note Debt A	Balance Sheet – Notes payable and Line of Credit (both current and long-term) and Line of Credit for Construction in process*	Long term debt- for long-term purposes pre-implementation	£ 638,000	£ 1,484,000
Debt Note B	Balance Sheet – Notes payable and Line of Credit (both current and long-term) for purchase of Property, Plant and Equipment	Qualified Long-term debt for long-term purposes post implementation for purchase of Property, Plant and Equipment	£ 9,333,000.00	£ 9,833,000.00
Debt Note C	Balance Sheet – Notes payable and Line of Credit for Construction in process*	Line of Credit for Construction in process	£ -	£ -
17, 25	Balance Sheet - Lease right –of-use assets liability(both current and long term)*	Lease right-of-use liability	£ -	0
Excluded 17,25 leases	Balance Sheet - Lease right –of-use assets liability(both current and long term)*	Pre-implementation right-of-use leases	£ -	£ -
M17,25 FS Note	Balance Sheet - Lease right –of-use assets liability(both current and long term)*	Post-implementation right-of-use leases	£ -	£ -
40, 42, 44, 45	Statement of (Loss) Income - Total Operating Expenses, Interest Expense, Loss on Impairment of Assets and Loss on Disposal of Assets*	<b>Total Expenses and Losses</b>	£ 43,311,000	£ 46,120,000



**Equity ratio**

Year ended 31 July 2022

Year ended 31 July 2021

			£GBP	£GBP
		<b>Modified Equity</b>		
31	Balance Sheet -Total Equity	Total equity	£ 65,372,000	£ 34,487,000
Excluded 17, 25 Leases	Balance Sheet- Lease right –of-use assets liability(both current and long term)*	Pre-implementation right-of-use leases	£ -	£ -
Excluded 9 Note leases	Note of Financial Statements - Balance Sheet – Lease right-of-use asset pre-implementation	Lease right-of-use asset pre-implementation	£ -	£ -
11	Balance Sheet – Goodwill*	Intangible Assets	£ -	£ -
4,5,10	Balance Sheet- All related party receivable, net and Receivable from related affiliate, net and Related party note*	Secure and Unsecured related party receivables and/or other related party assets	£ -	£ -
4,10	Balance Sheet - Related party receivable net and Receivable from affiliate, net and Related party note*	Unsecured related party receivables and /or other related party assets	£ -	£ -
		<b>Modified Assets:</b>		
13	Balance Sheet – Total Assets	Total Assets	£ 132,272,000	£ 130,680,000
Excluded 9 Note leases	Note of Financial Statements - Balance Sheet – Lease right-of-use asset pre-implementation	Lease right-of-use asset pre-implementation	£ -	£ -
11	Balance Sheet – Goodwill*	Intangible Assets	£ -	£ -
4,5,10	Balance Sheet- All related party receivable, net and Receivable from related affiliate, net and Related party note*	Secure and Unsecured related party receivables and/or other related party assets	£ -	£ -
4,10	Balance Sheet - Related party receivable net and Receivable from affiliate, net and Related party note*	Unsecured related party receivables and /or other related party assets	£ -	£ -

**Net Income ratio**

Year ended 31 July 2022

Year ended 31 July 2021

			£GBP	£GBP
48	Statement of (Loss) Income – Net Income Before Income Taxes	<b>Income Before Taxes</b>	£ 1,025,000	-£ 7,760,000
35, 43, 46	Statement of (Loss) Income – Total Revenue Interest income and Other miscellaneous income*	<b>Total Revenue and Gains</b>	£ 44,336,000	£ 38,360,000