THE GLASGOW SCHOOL OF ART

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2021

SC002271

Contents

Introduction

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 July 2021. 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

Patron	H.R.H. The Prince of Wales, Duke of Rothesay
Hon. President	Mr Stewart Grimshaw
Hon. Vice President	Professor Anthony Jones
Chair	Ms Muriel Gray BA (Hons), FRSE (until 30 September 2021)
interim Chair and Vice Chair	Ms Kristen Bennie BA (from 4 October 2021)
Vice Chair	Mr Habib Motani (from 1 November 2020)
	Ms Lesley Thomson (until 4 October 2021)
	Professor Nora Kearney RGN, MSc (until 3 September 2020)
Director	Professor Penny Macbeth BA(Hons), MA, FHEA
Deputy Director (Academic)	Mr Allan Atlee (from 3 December 2020)
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

Advisors

Solicitors	Thorntons Law LLP Whitehall House, 33 Yeaman Shore, Dundee DD1 4BJ
External Auditor	Azets Audit Services Titanium 1, King's Inch Place, Renfrew, Glasgow, PA4 8WF
Internal Auditor	MHA Henderson Loggie The Vision Building, 20 Greenmarket, Dundee, DD1 4QB
Principal Bankers	Bank of Scotland plc 235 Sauchiehall Street, Glasgow, G2 3EY

Strategic report

Background

Past, present and future

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

While the campus has grown and moved over its lifetime, Glasgow School of Art remains primarily located in the centre of the city. In 2017, GSA further developed its existing presence in the Scottish Highlands, when it opened its Highland and Islands Creative Campus, a research and postgraduate teaching centre for international excellence in creativity and innovation, on the Altyre Estate near Forres. For almost ten years, GSA has delivered years 3 and 4 of its Bachelor of Arts (Hons) Programmes in Communication Design and Interior Design to cohorts of students at our partner institution in Singapore. Following a mutual agreement to end that partnership, the final cohort of Glasgow School of Art Singapore students graduated in June 2021.

Glasgow School of Art is a diverse and international community and through the success of our graduates, the quality of our teaching and research and our heritage, we enjoy both global significance and influence as a leading centre for studio-based learning and research. Alongside our global position we continue to contribute to Glasgow's position as one of the UK's most successful city-economies. Central to this contribution are our students, staff – creative practitioners and academics of international and national significance – and our graduates. It is in this context that Glasgow School of Art rose to rank eighth in the world for art and design in the QS World University Rankings, a position it has sustained in 2020 and 2021.

Institutional structure and portfolio

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

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

Strategic and operational plans

Given the changed context, following the fire of 2018, GSA addressed its immediate priorities through a focused Operational Plan, covering key areas around student and staff experience and wellbeing, estates developments and management. With new leadership in place, Glasgow School of Art has embarked on the development of a new Strategic Plan, to be in place for the academic session 2022/23.

GSA's forthcoming Strategic Plan will refresh our plans for the size and nature of our student population beyond 2021/22; will set research income targets based upon an assessment of future research intensity; and will set out our plans for broader income generation. Integration of that strategic plan's estates, digital and people priorities with our financial plan will present an investment and expenditure plan designed to appropriately resource our ambitions.

Overview of 2020/21

The end of the previous academic year heralded the arrival of a global coronavirus pandemic, forced the closure of our campuses and required changes to our way of working to facilitate students' progression or completion of their studies and the delivery of a successful online year-end Graduate Showcase.

As we moved into Academic Year 2020/21, our primary response was to plan and implement a response to secure academic continuity. GSA embarked upon a training and digital skills programme for academic staff to support the model of delivery, which combines digital delivery of taught material while allowing students access, when possible, to use campus facilities, such as library, technical workshops and studio spaces. In the event, many of our worst fears were realised when over the Autumn and Winter, the imposition of 'COVID level-4' restrictions in Glasgow, followed by a further national lock down, inflicted major disruption to our mode of operation. GSA responded to changing circumstances, developed protocols in relation to Government and public health guidance and acknowledged both the ambitions and the understandable anxieties of staff and students. Our Academic Continuity

Group, oversaw mechanisms to manage transitions between modes of operation and delivery; and maintained engagement with the recognised Trade Unions and with the student body, via the Student President.

The impact of the pandemic on GSA's ability to operate "normally", public anxieties and global travel restrictions were among the factors that created significant uncertainty around student numbers, and so tuition fees and other income at the start of the academic session. In addition, there were additional costs to support remote working and, in anticipation of some easing of restrictions, in creating a safe campus for returning staff and students; as well as investment required to support the likely continued need for digital learning. We modelled the financial impacts of a range of scenarios and formulated responses based on opportunities to flex expenditure to mitigate against the likely reduction in income. Although the operational outturn was adverse to the budget set pre-COVID, it was very much better than the scenarios we modelled ahead of the start of the year. Positive contributors to that result were; a lower than expected shortfall in student numbers, and so, tuition fee income; significant non-recurring COVID-19 support funding from the Scottish Funding Council; other income boosted, primarily as a result of the Coronavirus Job Retention Scheme; and the achievement of expenditure savings associated with our financial scenario planning. Conversely, residence income was severely impacted by government imposed restrictions on student mobility and we bore additional costs in providing a safe and secure campus and supporting an extensive digital deployment.

Our Estate has inevitably seen major change in recent times. This included the completion of the alteration and refurbishment of the Stow Building, to form studio, technical support, workshop and ancillary spaces for the School of Fine Art. On completion of that Project, a list of outstanding defects were identified, which have been attended to over recent months. While the initial redevelopment of the building, prior to its 2019 occupation, met our immediate needs, it did not attend to the entirety of needs relating to that building's fabric. Given that the additional capacity provided has been necessary and welcome and will undoubtedly be a key component of our core estate for the long-term, we have developed an extensive programme of work 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. We were fortunate enough to secure the funding for this programme through the Scottish Funding Council's Financial Transactions Scheme in the form of a £10m loan, received this year and which is repayable over 20 years.

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 basis of estimation of the impairment was revised during the year, from one based on the estimated cost of the remedial works required to reinstate the building, to one where the impairment is equal to the proportion that the damaged element represents of the net book value of the whole building immediately following the fire, a change that has been reflected by way of an adjustment to the prior year's accounts (note 32). The remedial work to the Bourdon Building began in the closing weeks of 2020/21 and will be completed early in the new financial year; followed soon, thereafter, by the work to the Assembly Building and the Reid Building.

During 2020/21, on-site works at the Mackintosh Building have continued to focus on stabilising the remaining structure and clearing debris. The Board of Governors recently 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.

Future prospects

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

Financial sustainability

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

GSA's last strategic plan set the challenging objective of an annual operating surplus of 5% of income, to be achieved through our student number targets across all academic schools, the growth and diversification of research income, efficiencies through harmonisation of the academic programme and academic school structures, more efficient use of GSA's estate, improved environmental sustainability, procurement, and the highest levels of Governance.

The turbulence of recent years has meant that objective has not always been met; and when it has, it has been as a result of aggregation of our underlying financial results with exceptional income. Our most recently approved Financial Plan, a nascent pillar of our developing strategic plan, sets a benchmarked objective of reaching an annual underlying surplus, net of exceptional income and expenditure, of 4% within 5 years; an objective that will only be cemented following the publication of our strategic plan.

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

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

Glasgow School of Art is a Small Specialist Institution (SSI) which has led to additional funding to compensate for the associated additional costs.

Principal risks and uncertainties

The unprecedented circumstances of the COVID-19 pandemic heightened risk. Among the most acute of those risks, was the financial impact of lost revenue associated with a reduction in student enrolments for 2019/20. In anticipation of such an event, we modelled the financial impacts of a range of scenarios and formulated mitigating plans. In the event, our experience was that the scale of that shortfall in student numbers was not as large as had been feared and that our plans to manage expenditure, together with the additional financial support that the Scottish Government provided to Higher Education institutions through the Scottish Funding Council, protected our cash position and minimised the underlying operating deficit. Looking ahead to the new academic year, early signs are of student numbers meeting target, thus the financial risk appears to be abating. However, we will maintain mechanisms to manage expenditure responsively to any emergent threats. Operationally, we now also 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.

Key among the risks Glasgow School of Art faces, is its ability to recruit sufficient students to ensure its financial sustainability. As discussed in the preceding section, the source of that risk is diverse, including issues of competition, demography, government policy and public funding. Since GSA has little influence over those external factors, it has focussed its mitigation efforts on seeking to promote the attractiveness of its offering, the success of which continues to be evidenced in a strong stream of applications from well-qualified students.

GSA is conscious, however, that there is work required to improve perceptions of the student experience, as judged by measures such as the National Student Survey (NSS) and the Post Graduate Student Experience Survey, and has implemented plans to seek to reverse recent adverse trends. It would appear that the coronavirus pandemic had an adverse impact on NSS results across the sector, including at GSA; however, the reduction in overall satisfaction at GSA was less than that experienced by the sector as a whole. The results of our Post Graduate Student Experience Survey, covering the last year, evidenced some significant improvement, with overall satisfaction climbing 26% on the previous year.

Following the assessment of limited effectiveness arising from the Enhanced Led Institutional Review of GSA, a project has been established to plan and deliver a systematic response to achieve an assessment of effectiveness by the time of the next QAA visit in Spring 2022. Part of that response will also seek to contribute to the reversal the adverse trend in GSA's National Student Survey results by enhancing partnership working with students, delivering improvements to the student experience and ensuring academic standards.

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

Key performance indicators

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

KPI measures	Actual 2015/16	Actual 2016/17	Actual 2017/18	Actual 2018/19	Actual 2019/20	Actual 2020/21
% School Income non SFC	59%	65%	63%	72%	72%	57%
Total Research & KTP income	£4.1m	£3.9m	£2.8m	£3.2m	£2.7m	£2.0m
Value of (non-EU) overseas student income	£5.5m	£6.4m	£7.4m	£9.0m	£10.5m	£9.7m
% PG students [1]	26%	24%	24%	30%	30%	29%
% Positive student feedback NSS	74%	71%	67%	69%	58%	53%
% Graduates in education/working [2]	93%	93%	92%	N/a	-	-
% Graduates in education/working [3,4]	-	-	87%	84%	-	-
Number of Students from MD20[5] classification	30	38	27	43	47	52

[1] Includes Diploma students [2] Destination of leavers in Higher Education (DLHE) survey was discontinued 2018 [3] Graduate outcome survey replaced DLHE in 2017/18 [4] The transition to surveying students 15 months after graduation means that the data for 2019/20 and 2020/21 is not yet available [5] Areas of Multiple Deprivation

Duty to promote the success of the company

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

The likely consequences of any decision in the long term;

Academic session 2021/22 sees the continuation of GSA's institutional strategic planning process, allowing us to shape our ambitions for the future. The process is designed to be values-led, collaborative and inclusive. Our plans will have our academic endeavour at their centre, emphasising excellence in teaching and research, but will be founded on enabling strategies promoting the vigour of our staff, the sustainability of our finances and the effectiveness of our estates and infrastructure.

The interests of the company's employees;

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

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

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

Students lie at the heart of Glasgow School of Art. The Student Voice initiative encompasses a range of projects developed to enhance our approach to student engagement and partnership working. To support addressing outcomes and feedback from the National Student Survey and GSA Students' Association (GSASA), the initiative was designed to connect and communicate Student Representation and engagement activity at GSA based on an approach that exists to inform and empower the student body to work together and to take action. During 2020/21, we undertook to evolve our approach to student engagement through a number of new projects:

- **Student partnership**: a project to foster a culture of partnership working to enhance learning, teaching and the student experience, and will result in the development of our first ever Student Partnership Agreement. The project will identify a series of powerful and impactful Partnership projects to launch in 2022/23.
- **Student survey policy and framework**: the key aims of this project are to improve survey response rates, provide clear communication of the results and their analysis and to improve programme teams' confidence in engagement with survey data to support future learning and teaching enhancements.
- **Student Communications**: this project aims to review existing communication channels and approaches; understand what "effective communication" means to students; interrogate cultural and structural issues that are impeding effective communications; and develop a Communications Strategy in partnership with students.
- **Enhancing assessment & feedback**: with the primary aim of enhancing practice in this area, we will seek to develop a clear, consistent and easy to understand assessment policy framework and guidance; and will support their implementation by providing high quality and accessible development opportunities for staff.
- **Reviewing student facing policies**: this project aims to improve the guidance and support for staff and students to engage with our key student facing policies; to work with students and staff to understand current challenges in the area and to develop solutions; and to review complaints handling procedures and deliver staff training to support its effective operation.

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.

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

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. Glasgow School of Art's Community Engagement Officer routinely attends meeting of the Community Councils in Garnethill, Blythswood and Broomielaw, as well as working with a range of local community groups. Our dedicated Community Engagement Officer aims to support the development of better links with the local community in Garnethill. This engagement has resulted in better ways to engage with local residents and groups including the joint hosting of community events. GSA is also working in partnership with Renfrewshire Council to develop Castlehead High School in Paisley as a Creative Academy. While our presence on our Altyre campus in Forres is more recent, here, too, we have sought to establish roots in the local community.

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

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

Financial review

Financial objectives

The financial sustainability of Glasgow School of Art is as important as its academic sustainability and seeks to move towards an annual core operating surplus, 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.

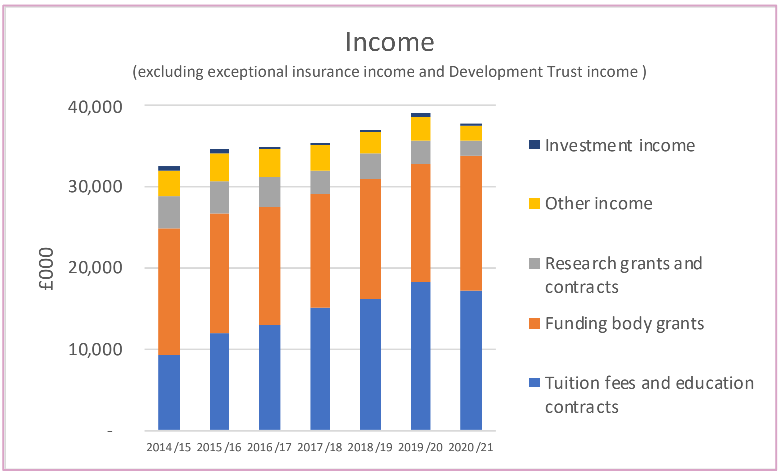
Financial performance

This year, the Group reported a deficit of £7.8m (2020: restated surplus of £7.1m) and a total comprehensive deficit of £1.2m (2020: restated deficit of £1.7m). 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 (2020: restated surplus £0.4m). The following table shows the underlying performance for the year by adjusting for the impacts of those exceptional and non-recurring items:

	Deficit for year £000	Total comprehensive income £000
As reported in the financial statements	**(7,760)**	**(1,240)**
Pension related		
FRS 102 pension cost adjustment – to staff costs	2,520	2,520
FRS 102 pension cost adjustment – to finance costs	343	343
Actuarial gain in respect of pension schemes	-	(6,284)
Insurance related		
Mackintosh Building debris clearance and stabilisation work	4,404	4,404
Revaluation of Heritage assets	-	(236)
Underlying performance	**(493)**	**(493)**

Income

In 2020/21, the Group saw total income fall by £12.9m (25%) to £38.4m. In large part, that movement related to exceptional insurance income recognised in the prior period, with the underlying fall being £0.8m (2%) to £38.4m. While the effects of the coronavirus pandemic on the reduction in tuition fees and other income were material, in response, the Scottish Funding Council distributed additional non-recurring funding to support additional teaching costs, to partially compensate both for the loss of international fees; and the loss of revenue arising from providing flexibility to students over residence fees.



Reversing a recent trend of steady growth, this year, tuition fees fell by £1.2m (6%) to £17.2m (2020: £18.4m), almost entirely associated with propensity of students, particularly from overseas, to enrol on courses during the pandemic.

2020/21 saw a £0.3m (9%) fall in the fees from home and EU students, against a background of planned growth in postgraduate students. Against that trend, and reversing last year's downward trend, there was £0.1m (3%) growth in fee income from students attending from England, Wales and Northern Ireland. For the same period, there was a fall in international fee income of £0.8m (7%); £0.3m of which was associated with the pandemic related reduction in students choosing to study on our UK campuses; and £0.5m attributable to reaching the final year of teach-out in our programmes in Singapore.

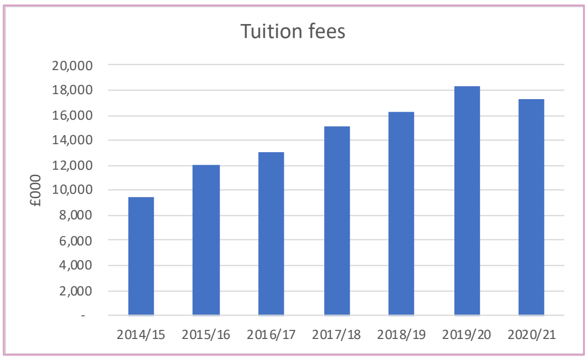
While the continuation of a trend of virtually flat Funding Body Grants was expected, this year, in response to the coronavirus pandemic, SFC distributed additional funds to be used flexibly to address deficits, support additional teaching costs, underpin research and to partially compensate for the loss of both international fees to support institutions who, like GSA, have lost revenue through providing flexibility over residence fees. The growth of £2m (13%) in this income stream to £16.5m (2020:£14.6m) largely reflects GSA's share of that additional funding.

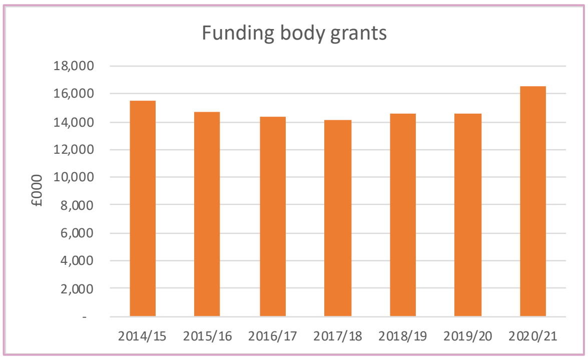
This year saw income from research grants, knowledge exchange projects and consultancy fall by £0.7m (27%) to £2.0m (2020: £2.7m). GSA's research grant income typically comprises a core portfolio of 'standard' research projects along with a very small number of disproportionally large innovation projects. 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 This was compounded in the current year by some contraction in research activity precipitated by various pandemic-related campus closures.

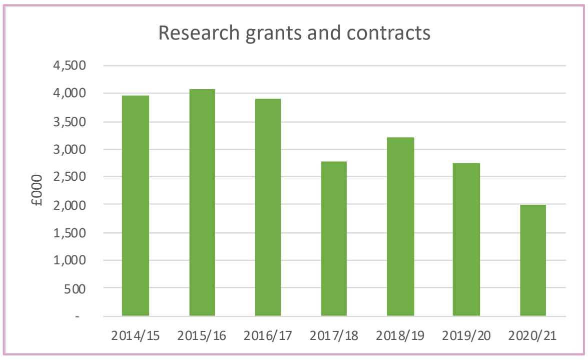
Other income has been heavily impacted by the pandemic, with income from that source falling by £0.8m (25%) to £2.3m (2020: £3.0m). The hardest impact has been that experienced in Residences, where income is down £0.6m (44%) on the previous year, owing to the loss of summer income as well as rent reductions and rebates as a result of lockdowns and restrictions on students' mobility.

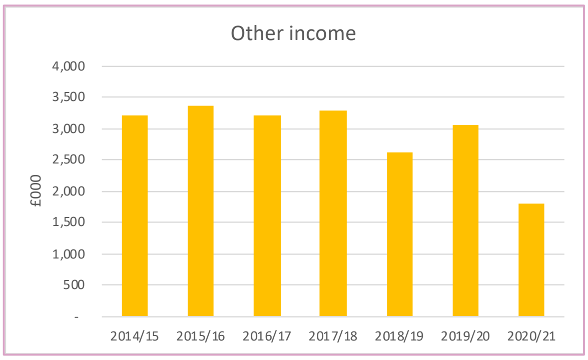
Commercial income too has been adversely impacted by pandemic related campus closures; and while the Coronavirus Job Retention Scheme, has brought a welcome offset of some of the additional costs and lost revenue associated with the pandemic, at £0.5m, even it is down on the £0.8m recovered in 2019/20.

With no further interim insurance payments in respect of the claim for the Mackintosh Building (2020: £12m) there was only £10k of insurance income this year (2020: £12m).

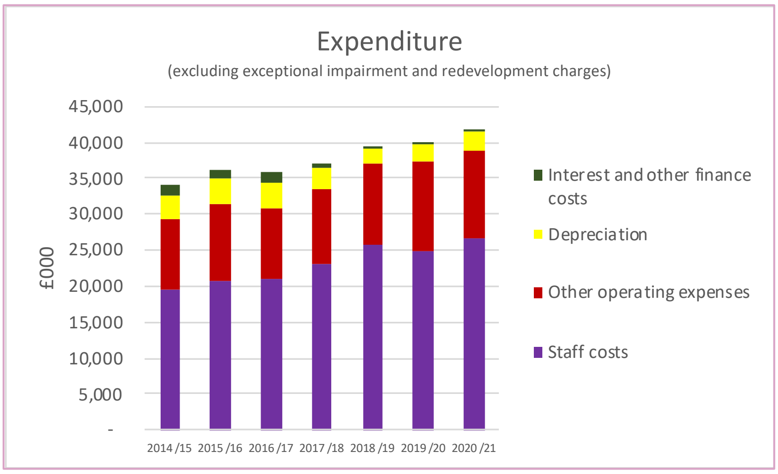




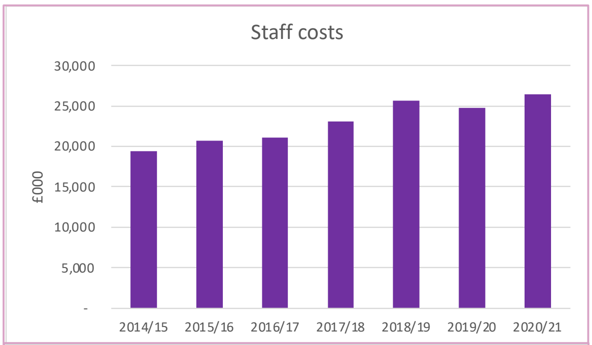




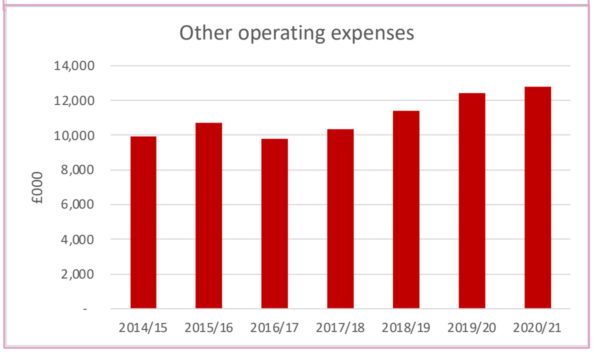
Expenditure



In 2020/21, the Group saw total expenditure grow by £2.7m (18%) to £46.7m. Excluding the exceptional movements associated with the insurance related campus redevelopment and pension service costs, there was an underlying increase of £0.8m (2%). Given that we started the year conscious of the likely impacts of the pandemic on our income and in precipitating additional costs of both providing a safe and secure campus and supporting an extensive digital deployment, the containment of the growth in underlying operational expenditure reflects the implementation of planned mitigations to control costs, and so minimise the pandemic's overall financial impact.



At £26.5m (2020: £24.8m), total staff costs showed growth of £1.7m (7%) compared to last year. The largest contributor to that cost was a £2.5m actuarially assessed pension service charge, up £1.3m on the previous year's £1.2m charge. Excluding those costs from each of the years, the net growth was just 1.5%, reflective of salary scale progression and of a modest planned investment to fortify both our estates function and our academic support services.



Other operating expenses grew by £0.3m (3%) to £12.8m (2020: £12.4m).

At £0.4m (2020: £0.3m), interest and other finance costs grew by £0.1m, consistent with the drawdown of £10m additional borrowing, towards the end of the year, in the form of an SFC Financial Transactions loan, to fund improvements at the Stow Building.

With little capital expenditure during the year, deprecation for the year of £2.6m (2020: £2.6m) was entirely consistent with that in the previous year.

In addition to the pension service cost noted above, exceptional expenditure in the year related to the continued stabilisation and debris clearance at the Mackintosh Building, totalling £4.4m (2020: £3.8m).

Other comprehensive income and expenditure for the year included a charge reflecting a £6.3m actuarial gain (2020: £9.2m actuarial loss) on the pension scheme and £0.2m (2020 £0.5m) increase in the value of our heritage assets.

Financial position

At the end of the year, the Group had net assets of £34.5m (restated 2020: £35.7m), a decrease of £1.2m on the previous year.

The £1.3m decrease in tangible fixed assets to £73.5m (restated 2020: £74.8m) reflects £1.2m of capital expenditure during the current year, offset by deprecation of £2.6m. In addition, a more recent valuation of heritage assets is reflected in the £0.2m increase in their value to £13.5m (2020: £13.3m).

The net £0.6m increase in investment assets to £5.3m (2020: £4.7m) is largely associated with the performance of financial markets over the period.

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 grew by £3.1m to £27.9m (restated 2020: £24.8m):

- There was a net decrease of £1.7m in trade and other receivables to £1.9m (2020: £3.6m), the most material movements being those relating to a £0.4m decrease in research grants receivables and trade receivables due at the year-end and a £0.4m decrease in student debtors.

- Cash has grown by £6.9m to £31.1m (2020: £24.2m), largely reflective of the receipt of the £10m SFC Financial Transactions loan, to fund improvements at the Stow Building and which remained unspent at the year-end; net of cashflow from operating activities, interest and investment income, loan servicing and capital expenditure.
- Creditors due within one year grew by £2.1m to £10.5m (2020: £8.4m) reflecting £1.1m growth in short term loan creditors arising from the combined effect of the recognition of the entirety of the secured loan as a short term creditor, arising from a loan covenant not being met at the balance sheet date, and £0.5m additional SFC borrowing; £0.4m growth in payments in advance; £0.9m growth in other accruals and deferred income; all offset by a £0.2m reduction in research contract accruals.

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 has grown by £9.5m to £10.0m (2020: £1.5m), reflecting the drawdown of the £10m SFC Financial Transactions loan to fund improvements at the Stow Building, net of the regular repayments on this and other loans having been made as they fell due; and the £0.6m reclassification of the secured loan, noted above. There are total loans, including loans due in one year, of £11.3m at 31 July 2021 compared with £1.7m at 31 July 2020.
- At the year-end, deferred capital grants greater than one year stand at £55.1m (2020 restated: £56.3m), 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.

The actuarial review of GSA's participation in the Strathclyde Pension Fund at 31 July 2021, for accounting purposes, signalled a decrease in GSA's net liability of £3.4m to £19.8m (2020: £23.3m). The fall in the net liability can be attributed to

- £10.1m growth in the Scheme's assets, to £57.3m, largely reflecting buoyant investment returns over the period;
- £6.7m growth in the scheme's labilities, to £77.2m, whose growth was tempered by a small increase in the rate at which the scheme's liabilities were discounted, mirroring a modest recovery in the yields on high quality sterling corporate bonds, taking into account the term of the relevant pension scheme's liabilities, upon which that discount rate is required to be founded.

Movement on reserves

The opening reserves were adjusted to reflect prior year adjustments relating to:

- a revised estimated of the impairment of the value of the Reid Building, damaged as a consequence of the 2018 Mackintosh fire, from that based on the estimated cost of the remedial works required to reinstate the building to one where the impairment value is equal to the proportion that the damage element represented of the net book value of the whole asset immediately following the fire; and
- the capitalisation of preparatory work associated with the repair of the consequential damage which had previously been expensed.

During the year, the Group's reserves fell by £1.2m to £34.5m (restated 2020: £35.7m). Disaggregating that movement:

- Endowment reserves grew by £0.6m to £5.3m (2020: £4.7m) during the year with the rise being almost entirely attributable to an increase in the market value of endowment investments.
- Restricted reserves, at £8.4m, were almost unchanged during the year.
- The income and expenditure reserve fell by £1.9m to £5.7m (2020 restated: £7.6m) during the year, that fall mainly reflecting the Group's £7.8m deficit for the year (net of £0.6m endowment comprehensive income) and the £6.3m actuarial gain arising from the Strathclyde Pension Fund valuation.
- The revaluation reserve grew to £15.2m (2020: £15.1m) reflecting an increase in the value of heritage assets.

Treasury management, cashflow and liquidity

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

Non-endowment cash balances are held in interest-bearing deposits with financial institutions. These balances can be invested in major clearing banks. At 31 July 2021, our cash and deposit balances sat at £31.1m, an increase of £6.9m on the previous year-end (2020: £24.2m), largely reflective of the receipt of the £10m SFC Financial Transactions loan, to fund improvements at the Stow Building and which remained unspent and held in a ring fenced account, at the year-end; net of cashflow from operating activities, interest and investment income, loan servicing and capital expenditure. 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 1.20%, compared with 2.08% last year. The market value of the total Endowment assets held grew from £4.7m to £5.3m. 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 £31.1m of cash. Other than the £10m borrowed to fund the planned work at the Stow Building, and currently held in a segregated account for that purpose, there are no restrictions on the use of those funds. While interest rates remain low and, currently, short-term rates are more attractive than long-term rates, the cash is 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 2021 the School had an average of 10 days (2020: 12 days) purchases outstanding in trade creditors. With regard to the late payment of Commercial Debts (Interest) Act 1998 there are no matters to disclose.

Kristen Bennie
interim Chair of the Board of Governors
23 November 2021

Directors' report

Board membership

The following persons served as Board members during the year to 31 July 2021, 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
Professor John French BSc, PhD, MIOD	Independent Governor
Ms Muriel Gray BA (Hons), FRSE	Independent Governor (until 30 September 2021)
Dr Martin Herbert DipQS, MSc, PhD, MRICS	Independent Governor
Professor Nora Kearney RGN, MSc	Independent Governor (until 3 September 2020)
Dr Kate Lampitt Adey	Independent Governor
Dr Simon Learoyd BA (Hons), PG Cert, MSc, PhD	Independent Governor (from 26 July 2021)
Mr Michael McAuley LLB (Hons)	Independent Governor
Mr Habib Motani	Independent Governor
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 (from 13 July 2021)
Mr Andrew Sutherland Bacc, CA, MCICM	Independent Governor
Ms Lesley Thomson	Independent Governor
Professor Anne Trefethen FREng	Independent Governor (from 26 July 2021)
Mr Tsz Wu BA (Hons), Mdes	Independent Governor

Governors Ex Officiis

Professor Penny Macbeth BA(Hons), MA, FHEA	Director of the School

Elected Staff Governors

Ms Barbara Ridley	Appointed by the Academic Council (until 30 November 2020)
Professor Sarah Smith BA(Hons), MA, PhD	Elected by the Academic Staff
Ms Polly Christie BA (Hons), MA	Elected by the Professional Support Staff (until 26 May 2021)
Ms Marianne McInnes Meng	Elected by the Professional Support Staff (from 1 June 2021)

Student Governors

Mr Alessandro Marini	President of the Students' Association (until 31 July 2021)
Mr Rory O'Neill	President of the Students' Association (from 1 August 2021)
Mr Spike Wright	Vice-President of the Students' Association (from 1 December 2020 until 31 July 2021)
Ms Josephine Kay-Ogunsola	Vice-President of the Students' Association (from 1 August 2021)

Trade Union Governors

Mr Thomas Greenough BA (Hons)	Trade Union Governor (Academic) (from 1 December 2020)
Ms Kathy Molloy	Trade Union Governor (Professional Support) (from 1 December 2020)

Secretary to the Board of Governors

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

Environmental sustainability

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

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 and will be developing a new Sustainability Framework and Climate Action Plan in parallel to the development of its new Estates Strategy in 2021/22.

UK Energy use and greenhouse gas emissions

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

		UK use			Associated greenhouse gas emissions			
	units	2020/21	2019/20	2018/19	units	2020/21	2019/20	2018/19
Electricity	kWh	**1,867,982**	2,524,003	3,255,048	tCO_2e	**473**	639	903
Gas	kWh	**6,280,610**	6,000,596	6,510,656	tCO_2e	**1,155**	1,103	1,197
Vehicles	km	**1,300**	1,627	4,699	tCO_2e	**-**	-	1
Transport	passenger km	**50,164**	450,143	1,795,951	tCO_2e	**7**	87	316
Waste	tonnes	**68**	72	242	tCO_2e	**20**	3	12
Water	m^3	**10,629**	5,856	18,358	tCO_2e	**3**	6	19
Total associated greenhouse gas emissions						**1,658**	1,839	2,448

Gross internal area (m2)	m^2	62,458	62,458	62,595
Intensity ratio	tCO_2e/m^2	0.027	0.029	0.039

Energy efficiency action taken:

- Ensured that our plans to commission a new Estates Strategy, includes creation of a plan to determine the requirements to reduce our campus carbon footprint.
- Developed of an aspirational sustainability brief for our Mackintosh Building.
- Embarked on developing a more detailed Sustainability strategy for our whole campus.
- Commissioned Energy Performance certificates for all our owned buildings to establish a base line for improvement.
- 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.
- Started a rolling programme of refurbishment of buildings to improve their energy efficiency, with some works commencing this year on the Stow, Bordon and Reid Buildings.
- Continued efforts to embed environmental issues in the procurement supplier selection and contract award criteria.
- Commissioning a waste strategy, to contribute to our efforts to minimise environmental impacts by reducing, recycling and reusing more, including, this year, 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.

During this year, we set new Equality Outcomes and are in the process of developing aligned action plans:

- 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.

We have also established a newly constituted Equality Diversity and Inclusion Committee, which will support the creation of a joined up approach to equality through appropriate representation and consultation.

Employment of disabled persons

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

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

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

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

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

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

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

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

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

In November 2020, Azets Audit Services Limited, trading as Azets Audit Services, a company owned by Azets, were re-appointed in accordance with Section 485 of the Companies Act 2006.

With February 2022 marking the end of Azets' contractual appointment, starting in December 2021, GSA will conduct a routine tender for the appointment of an External Auditor, to be approved in due course by the Board of Directors.

Post balance sheet events

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

By order of the Board

Kristen Bennie
interim Chair of the Board of Governors
23 November 2021

Professor Penny Macbeth
Director
23 November 2021

Corporate governance statement

Introduction

The School's governance arrangements are defined through an Order of Council derived from the Further and Higher Education (Scotland) Act 1992. The School is also a Company Limited by Guarantee. The School's Statement of Corporate Governance (reviewed and approved by the Board of Governors annually) complies with the high-level principles contained within the revised Scottish Code of Good HE Governance published in 2017 (the Code) and 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 2020/21 (issued 3 June 2021), and the SFC Financial Memorandum. Its purpose is to enable the reader of the financial statements to understand how these principles have been applied.

Governing body

The Board of Governors (the Board) is the governing body of the School and holds to itself the responsibilities for the ongoing strategic direction of the School, 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 (September, November, March and June in session 2020/21) 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 maintains regular contact with the Chair to ensure that the conduct of the Board's business is carried out in accordance with the Statement of Corporate Governance, 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 2021/22, unless otherwise preferred by the convenor of the relevant committee. It is currently envisaged that Board meetings will be held in person (with the option for members to join via video-conference) where social-distancing regulations allow.

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 2021/22 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 2020/21: 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.

As of 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:

- One Independent Governor demitted the Board: Professor Nora Kearney (3 September 2020).
- Four Independent Governors joined the Board: Dr Graham Sharp (13 July 2021); Dr Simon Learoyd and Professor Anne Trefethen (26 July 2021); and Professor Graham Caie (1 August 2021).
- In terms of Student Governors, the Vice-President of the Students' Association, Mr Spike Wright, joined the Board on 1 December 2020 when the new statutory instruments came into force. The President of the Students' Association, Mr Alessandro Marini, and Mr Wright demitted office when their tenure as Sabbatical Officers came to an end on 31 July 2021. They were replaced by Mr Rory O'Neill and Ms Josephine Kay-Ogunsola who joined the Board on 1 August 2021 when they respectively became President and Vice-President of the Students' Association.
- One Staff Governor, appointed by Academic Council, demitted office when the School's new statutory instruments came into force: Ms Barbara Ridley (30 November 2020).
- One Staff Governor (Professional Support) demitted office on 26 May 2021: Ms Polly Christie; and was replaced via scheduled election by Ms Marianne McInnes from 1 June 2021.
- Two Trade Union Governors joined the Board on 1 December 2020: Mr Thomas Greenough and Ms Kathy Molloy.

Further, 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 was appointed as a Vice Chair and interim Chair of the Board with effect from 4 October 2021. The Board of Governors will now seek the appointment of a new elected Chair in accordance with the requirements of the Higher Education Governance (Scotland) Act 2016.

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 and August 2021, as detailed above.

As at 1 October 2021, the School's Board consists of a total membership of twenty-three members, sixteen of whom are Independent Governors (including the interim Chair of the Board), of which the latter category has a male:female ratio of 68.75%:31.25%. Mindful of its obligations in terms of the Gender Representation on Public Boards (Scotland) Act 2018, one vacancy was retained in this recent round of Board recruitment with the intention that in the next recruitment exercise GSA will re-double its efforts to attract an applicant pool that will lead to appointments which will improve the diversity of the Board, including in terms of gender balance.

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 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 2020/21, owing to the COVID-19 situation and the significant range of business under consideration in the course of the session, opportunities were provided for members to enhance their knowledge of the School. For example, at the Board Away-day in February 2021, the Director and members of the Senior Leadership Group provided a detailed presentation and Q&A session relating to GSA successes in 2020 which was well received by members of the Board, as was a presentation from the Senior Project Manager relating to the previous Mackintosh Building restoration project which was delivered in June 2021. In addition, two workshop sessions were held in July 2021, regarding GSA's management approaches to equality, diversity and inclusion matters which provided an overview of GSA's previous approach to equalities and an outline of the past six months of work including a review of progress since the last reporting cycle, the setting of new outcomes and development of associated action plans. Repeat sessions are being offered with the Board also receiving further expert input in this area at future Board meetings.

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 (for referral to the Registrar and Secretary); any points for wider consideration by either the Nominations Committee or the Board; and any points to be factored in to the wider review of Board effectiveness.

Board Committees

All Board committees met via video conference in session 2020/21.

The **Audit and Risk Committee** met four times in session 2020/21 with both the External and Internal Auditor in attendance. In session 2020/21, the changes to the Committee's remit that were approved in the previous session, were implemented. This resulted in more time allocated 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. Further, corporate governance documentation and developments were added to the remit of the Committee but with the Board of Governors retaining responsibility for overall scrutiny and approval. Previously, given that important changes were being made in order to align with the Higher Education Governance (Scotland) Act 2016, and associated matters, this work was reported directly to the Board and not via a committee.

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 and External Auditors.

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 six times in session 2020/21. 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 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 2020/21, the Committee has been invited to note and provide comment on the School's Institutional Risk Register.

The **Health and Safety Committee** met four times in session 2020/21 and, with effect from the beginning of that session, the Committee provided 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 four times in session 2020/21 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. In session 2020/21, the changes to the Committee's remit and membership that were approved in the previous session, were implemented. The changes to the remit have subsequently enabled a better balance of business between the Board and the committee. Additionally, the changes to the membership, which included adding the two Trade Union Governors and two Staff-Elected Governors, have assisted GSA to align more broadly with the general sector approach to Board committee membership, and has enabled these Board members to be well sighted on the business considered by this Committee (with the Trade Union Governor also inputting via the Trade Unions Forum), which, in turn, makes them well placed to subsequently report on these important matters to the Board.

The **Museum and Archive Committee** met three times in session 2020/21 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 2020/21, the Committee conducted its business through correspondence.

The **Remuneration Committee** did not meet or consider any staffing matters by correspondence in session 2020/21. 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.

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 2021/22.

Audit and Risk Committee: Mr Andrew Sutherland, Convenor; Ms Ann Faulds (until 13 July 2021); Dr Martin Herbert (until 3 November 2021); Dr Simon Learoyd (from 26 July 2021); and Mr Michael McAuley.

Business and Estates Committee: Mr Habib Motani, Convenor; Ms Kristen Bennie (from 4 October 2021); Ms Ann Faulds (from 13 July 2021); Ms Muriel Gray (until 30 September 2021); Professor Penny Macbeth; Mr Alessandro Marini (until 31 July 2021); Mr Michael McAuley, Vice Convenor; Mr Harry Rich; Mr James Sanderson; and Dr Graham Sharp (from 13 July 2021).

Health and Safety: Dr Martin Herbert, Convenor from 1 September 2021; Mr James Sanderson, Convenor from 1 September 2020 to 31 August 2021; Ms Polly Christie (until 26 May 2021); Mr Thomas Greenough (from 1 December 2020), Ms Josephine Kay-Ogunsola (from 1 August 2021); Professor Penny Macbeth; Mr Alessandro Marini (until 31 July 2021); Ms Marianne McInnes (from 1 June 2021), Ms Kathy Molloy (from 1 December 2020); Mr Rory O'Neill (from 1 August 2021); Professor Sarah Smith; and Mr Spike Wright (from 29 March 2021 until 31 July 2021).

Interim and Urgent Business Committee (currently in abeyance)

Human Resources Committee: Professor Graham Caie (from 1 August 2021), interim Convenor from 15 November 2021; Ms Kristen Bennie, Convenor from 1 September 2020 (until 4 October 2021); Ms Ann Faulds (until 13 July 2021), Convenor until 31 August 2020; Ms Polly Christie (from 1 September 2020 to 26 May 2021); Mr Thomas Greenough (from 1 December 2020); Professor Penny Macbeth; Ms Marianne McInnes (from 1 June 2021); Ms Kathy Molloy (from 1 December 2020); Professor Sarah Smith (from 1 September 2020); Mr Tsz Wu (from 15 November 2021).

Nominations Committee: Ms Kristen Bennie (from 1 September 2020), Convenor (from 4 October 2021); Ms Muriel Gray, Convenor (until 30 September 2021); Professor Graham Caie (from 15 November 2021); Ms Ann Faulds (until 31 August 2020); Dr Martin Herbert (from 1 September 2021); Dr Kate Lampitt Adey; Professor Penny Macbeth; Mr Alessandro Marini (until 31 July 2021); Mr Habib Motani; Mr Rory O'Neill (from 1 August 2021); Mr James Sanderson (until 31 August 2021); Professor Sarah Smith; Mr Andrew Sutherland; and Ms Lesley Thomson (until 4 October 2021).

Museum and Archive Committee: Dr Kate Lampitt Adey, Convenor; Mr Harry Rich (from 29 March 2021), Vice Convenor; Professor Christopher Breward; Professor Penny Macbeth; Mr Alessandro Marini (until 31 July 2021); Ms Victoria Peters; Dr Evelyn Silber (until 31 August 2021); Professor Anne Trefethen (from 26 July 2021); and Dr Sabine Wieber (until 31 August 2021).

Remuneration Committee: Vacancy, Convenor; Professor Nora Kearney, Convenor (until 3 September 2020); Professor Graham Caie (from 1 August 2021); Ms Kristen Bennie (from 4 October 2021); Ms Muriel Gray (until 30 September 2021); Mr Alessandro Marini (until 31 July 2021); Mr Rory O'Neill (from 1 August 2021); Professor Sarah Smith; Ms Lesley Thomson (until 4 October 2021); and Professor Anne Trefethen (from 26 July 2021).

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 2020/21. 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.

The last externally facilitated review in terms of the Code reported in March 2018. Preparation is underway for the next external review which is currently scheduled to commence in April 2022.

Attendance at meetings between 1 August 2020 and 31 July 2021

The attendance of the individual Governors at Board and principal Committee meetings between 1 August 2020 and 31 July 2021 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					
	6**	4	6***	4	4	3
Ms Kristen Bennie	6				3	
Ms Polly Christie	3 of 3			3 of 3	3 of 3	
Ms Ann Faulds	6	3			4	
Professor John French	5					
Ms Muriel Gray	6		5			
Mr Thomas Greenough	2 of 2			2 of 2	2 of 2	
Dr Martin Herbert	6	4		4		
Professor Nora Kearney	1 of 1					
Dr Kate Lampitt Adey	5					3
Mr Michael McAuley	6	4	6			
Ms Marianne McInnes	1 of 1					
Professor Penny Macbeth	6	4*	6	4	4	3
Mr Alessandro Marini	4		5	1		0
Ms Kathy Molloy	1 of 2			2 of 2	2 of 2	
Mr Habib Motani	6		6			
Mr Harry Rich	6		5			1 of 1
Ms Barbara Ridley	0					
Mr James Sanderson	6		5	4		
Professor Sarah Smith	5			1	4	
Mr Andrew Sutherland	6	4				
Ms Lesley Thomson	6					
Mr Spike Wright	2 of 3			0 of 1		
Mr Tsz Wu	4					
Registrar and Secretary	6*	4*	6*	4*	4*	

* 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, one additional meeting was held in August 2020.

***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 is in the process of developing a new Strategic Plan for 2022-2027 to guide the future academic and institutional direction. In light of the development of the new Strategic Plan and associated KPIs and, mindful of its responsibility to guide and approve the future strategic direction of GSA, the Board had previously discussed and agreed guiding principles at its February 2020 strategic Away-day. The Strategic Plan was the main focus of discussions at the Board of Governors Strategic Away-day held on 5 February 2021 and the Director, together with members of the Senior Leadership Group, provided a presentation on the plans, and associated timeline, in place for consultation with a wide variety of groups including staff, students, alumni, employers and potential applicants.

In terms of the detailed development of the Strategic Plan, a process and schedule have been designed to ensure that the Business and Estates Committee and the Board have substantive development input and oversight, with a final version of the Plan to be offered to the Board for consideration and approval in February 2022.

The School approved an Operational Plan for 2020/21 in November 2020, and throughout the course of the remainder of session 2020/21, the Board received regular reports from the Director on progress against its delivery. An Operational Plan will be produced for 2021/22. This will be considered by the Board for approval in October 2021.

Risk management

The Risk Management Framework establishes the processes GSA follows to monitor, manage and mitigate risk and the institution's appetite for risk across its portfolio of work. 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 2019, is currently undergoing review. 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.

In response to the COVID-19 pandemic, the Senior Leadership Group determined that a high-level Institutional Risk Register should be specifically developed to manage the complex challenges and risks posed by the fast-changing situation. This approach remained in place until July 2020 when the COVID-19 Institutional Risk Register was combined 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 addition, the Director of Finance has worked with colleagues to produce informed budget for 2021/22 which reflect the potential range of challenges. In terms of additional Board oversight, in the course of session 2020/21, 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.

In the course of session 2020/21, a key focus for the Board has been to monitor the School's institutional response to the 2020 Enhancement-led Institutional Review (ELIR) Report and QAA Concerns recommendations. Both the ELIR and National Student Survey are 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

The Purpose of the System of Internal Control

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

Review of effectiveness of the internal control system

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

In November 2021, the annual Audit and Risk Committee report to the Board confirmed that the Committee was of the opinion that, as far as can reasonably be expected, it was satisfied:

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

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

The Scottish Code of Good Higher Education Governance

As acknowledged by the Scottish Funding Council, the School 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.

In the opinion of the Board, the School has fully complied with all the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance.

Going concern

The Group's and the School's activities and the factors likely to affect its future development, performance and position are set out in the Strategic Report. Its financial performance for the year to 31 July 2021, income and expenditure, assets, liquidity and cash flows are set out in more detail in the Notes to the Financial Statements.

During the prior year, the remaining reserves of the Centre for Digital Documentation and Visualisation LLP were shared between its two members, GSA and Historic Environment Scotland. The LLP has now been dissolved.

This 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 7 members of staff were made redundant, at a total cost of £207,000; and the company ended the year with net assets of £1.1m. In the coming months, the company's affairs will be settled and the intention is to dissolve the company before 31 July 2022.The Group and the School have adequate financial resources and its current forecasts and projections show it to be well placed to manage its activities successfully having taken account of risks and uncertainties highlighted in the Annual Report and Financial Statements. The Board of Governors considers that the Group and the School has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted when preparing the Financial Statements.

Conclusion

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

Kristen Bennie
interim Chair of the Board of Governors
23 November 2021

Professor Penny Macbeth
Director
23 November 2021

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

Opinion

We have audited the financial statements of The Glasgow School of Art (the 'School') and its subsidiaries (the 'Group') for the year ended 31 July 2021 which comprise the Group and School Statement of Comprehensive Income, the Group and School Statement of Changes in Reserves, the Group and School Balance Sheet, the Group Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the School's affairs as at 31 July 2021 and of the Group's and School's income and expenditure, recognised gains and losses and 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. We are independent of the Group and the School in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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. Our evaluation of the Board of Governors' assessment of the Group's and the School's ability to continue to adopt the going concern basis of accounting included consideration of the current cash reserves, a review of the 3 year business plan which includes detailed forecasts which project sufficient cash reserves will continue to be in place to enable both the Group and the School to continue to operate as well as consideration of the campus redevelopment plans and how these are expected to be funded.

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's or the 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 Board of Governors with respect to going concern are described in the relevant sections of this report.

Emphasis of matter
As explained in note 4 of the statement of principal accounting policies and estimation techniques, GSofA Singapore pte Ltd, is in the process of being closed down and in the coming months, the company will cease to trade and its affairs will be settled and the intention is to dissolve the company before 31 July 2022. These financial statements have been prepared on a going concern basis as the Group and the School are going concerns.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Governors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 this gives rise to 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

In our opinion, in all material respects:

- the requirements of the Scottish Funding Council's accounts direction have been met;
- funds from whatever source administered by the School for specific purposes have been applied properly to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- funds provided by the Scottish Funding Council have been applied in accordance with the requirements of the Scottish Funding Council Financial Memorandum with Higher Education Institutions.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Board of Governors

As explained more fully in the Responsibilities of the Board of Governors for accounting and the financial statements set out on pages 14 and 15 the Board (who are Trustees for the purpose of charity law and Directors for the purpose of company law) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

The extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC’s website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the Group and the School, their activities, their control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the Group and the School are complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the Group and the School that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group and the School through discussions with the Board of Governors and the senior management team, and from our knowledge and experience of the Higher Education sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group and the School, including the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended), taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of the senior management team and the Board of Governors and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of the Board of Governors and relevant sub-committees;
- enquiring of the senior management team and the Board of Governors as to actual and potential litigation and claims;
- reviewing legal and professional fees paid in the year for indication of any actual and potential litigation and claims; and
- reviewing correspondence with HMRC, the Scottish Funding Council, OSCR and the Group’s and School’s legal advisors.

We assessed the susceptibility of the Group’s and the School’s financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of the senior management team and the Board of Governors as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

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 of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

Use of our report

This report is made solely to the Board of Governors, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and regulation 10 of the Charities Accounts (Scotland) regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the Board of Governors, as a body, those matters we are required to state to them in an Auditor's Report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the School and the Board of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

James McBride, Senior Statutory Auditor
For and on behalf of Azets Audit Services, Statutory Auditor
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: 26 January 2022

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

Group and School Statement of Comprehensive Income

Year ended 31 July 2021

		Year ended 31 July 2021		Year ended 31 July 2020 *as restated*	
		Consolidated	**School**	Consolidated	School
	Note	**£000**	**£000**	£000	£000
Income					
Tuition fees and education contracts	1	**17,248**	**16,721**	18,370	17,341
Funding body grants	2	**16,512**	**16,512**	14,561	14,561
Research grants and contracts	3	**2,010**	**2,010**	2,742	2,742
Other income	4	**2,279**	**2,267**	3,047	3,117
Insurance income	4,32	**10**	**10**	12,008	12,008
Development Trust income	4	**5**	**-**	6	-
Investment income	5	**296**	**296**	478	478
		38,360	**37,816**	51,212	50,247
Expenditure					
Staff costs	7	**26,455**	**25,923**	24,799	24,307
Other operating expenses	8	**12,785**	**12,678**	12,441	12,419
Mackintosh Building debris clearance and stabilisation work	8,32	**4,404**	**4,404**	3,818	3,818
Depreciation	12	**2,642**	**2,642**	2,573	2,573
Interest and other finance costs	9	**394**	**394**	332	332
		46,680	**46,041**	43,963	43,449
(Deficit)/surplus before other gains losses and share of operating surplus of joint ventures and associates		**(8,320)**	**(8,225)**	7,249	6,798
Share of operating (deficit)/surplus in joint venture	15	**-**	**-**	(4)	-
Accumulated income retained within specific endowments	14	**(45)**	**(45)**	13	13
Gain/(loss) on investments - appreciation of endowment assets	14	**605**	**605**	(118)	(118)
(Deficit)/surplus before tax		**(7,760)**	**(7,665)**	7,140	6,693
Taxation	11	**-**	**-**	(66)	-
(Deficit)/surplus for the year		**(7,760)**	**(7,665)**	7,074	6,693
Other comprehensive income					
Actuarial gain/(loss) in respect of pension schemes	28	**6,284**	**6,284**	(9,227)	(9,227)
Revaluation of heritage assets	13	**236**	**206**	486	486
Total comprehensive income for the year		**(1,240)**	**(1,175)**	(1,667)	(2,048)
Represented by:					
Endowment comprehensive income for the year		**560**	**560**	(105)	(105)
Restricted comprehensive income for the year		**1**	**-**	(5)	-
Unrestricted comprehensive income for the year		**(2,037)**	**(1,941)**	(2,043)	(2,429)
Revaluation reserve comprehensive income for the year		**236**	**206**	486	486
		(1,240)	**(1,175)**	(1,667)	(2,048)

All items of income and expenditure relate to continuing activities, except those in 2019/20 relating to the activities of the joint venture, the Centre for Digital Documentation and Visualisation LLP, which ceased trading during that year. GSofA Singapore is in the process of being closed down and will cease to trade and be liquidated in the year ending 31 July 2022.

Group and School Statement of Changes in Reserves

Year ended 31 July 2021

	Endowment	Restricted	Income and expenditure reserve	Revaluation reserve	Total
	£000	£000	£000	£000	**£000**
CONSOLIDATED					
Balance at 1 August 2019	4,808	8,369	9,670	14,661	37,508
Prior year adjustment (see note 32)	-	-	(114)	-	(114)
Balance as at 1 August 2019 (as restated)	4,808	8,369	9,556	14,661	37,394
Total comprehensive income (as restated, see note 32)	(105)	(5)	(2,043)	486	(1,667)
Transfers between revaluation and income and expenditure reserve	-	-	94	(94)	-
Balance at 1 August 2020 (as restated)	**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)	-
Balance at 31 July 2021	**5,263**	**8,365**	**5,668**	**15,191**	**34,487**
SCHOOL					
Balance at 1 August 2019	4,808	7,910	8,885	14,661	36,264
Prior year adjustment (see note 32)	-	-	(114)	-	(114)
Balance as at 1 August 2019 (as restated)	4,808	7,910	8,771	14,661	36,150
Total comprehensive income (as restated)	(105)	-	(2,429)	486	(2,048)
Transfers between revaluation and income and expenditure reserve	-	-	94	(94)	-
Balance at 1 August 2020 (as restated)	**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)	-
Balance at 31 July 2021	**5,263**	**7,910**	**4,593**	**15,161**	**32,927**

Group and School Balance Sheet

As at 31 July 2021

		Year ended 31 July 2021		Year ended 31 July 2020 *as restated*	
		Consolidated	**School**	Consolidated	School
	Note	**£000**	**£000**	£000	£000
Non-current assets					
Fixed assets	12,32	**73,467**	**73,467**	74,843	74,843
Heritage assets	13	**13,507**	**13,411**	13,271	13,205
Investments	14	**5,263**	**5,263**	4,703	4,703
Investment in joint venture	15	**-**	**-**	38	-
		92,237	**92,141**	92,855	92,751
Current assets					
Stock	16	**123**	**123**	123	123
Debtors greater than one year	17	**5,251**	**-**	5,251	-
Trade and other receivables	17,32	**1,923**	**2,511**	3,619	3,606
Cash and cash equivalents	23	**31,146**	**29,300**	24,224	22,799
		38,443	**31,934**	33,217	26,528
Less Creditors: amounts falling due within one year	18	**(10,496)**	**(10,451)**	(8,419)	(8,251)
Net current assets		**27,947**	**21,483**	24,798	18,277
Total assets less current liabilities		**120,184**	**113,624**	117,653	111,028
Creditors: amounts falling due after more than one year	19	**(65,047)**	**(60,047)**	(57,781)	(52,781)
Provisions					
Pension provisions	20	**(20,650)**	**(20,650)**	(24,145)	(24,145)
Total net assets		**34,487**	**32,927**	35,727	34,102
Restricted Reserves					
Endowment reserve	21	**5,263**	**5,263**	4,703	4,703
Restricted reserve	22a	**8,365**	**7,910**	8,364	7,910
Unrestricted Reserves					
Income and expenditure reserve	22b	**5,668**	**4,593**	7,607	6,436
Revaluation reserve	22c	**15,191**	**15,161**	15,053	15,053
Total Reserves	32	**34,487**	**32,927**	35,727	34,102

The financial statements were approved by the Board of Governors on 23 November 2021 and were signed on its behalf on that date by:

Professor Penny Macbeth, Director

Kristen Bennie, interim Chair of the Board of Governors

Company no: SC002271

Group Statement of Cash Flows

Year ended 31 July 2021

	Note	**2021**	2020 *as restated*
		£000	£000
Cash flow from operating activities			
(Deficit)/surplus for the year		**(7,760)**	7,074
Adjustment for non-cash items			
Depreciation	12	**2,642**	2,573
(Increase) in stock	16	**-**	(34)
Decrease/(increase) in debtors	17,32	**1,696**	(403)
Increase/(decrease) in creditors	18	**1,131**	(1,069)
(Decrease) in pension provision	20	**(74)**	(78)
Taxation charge	11	**-**	66
Tax paid	18	**(76)**	(54)
Share of operating deficit in joint venture	15	**-**	4
Release of deferred capital grants	19	**(1,309)**	(1,416)
Staff costs - FRS102 pension adjustment	7	**2,520**	1,222
Adjustment for investing or financing activities			
Movement in investment in joint venture		**38**	-
(Gain)/loss on investments	14	**(605)**	118
Accumulated income of endowment investments	21	**45**	(13)
Investment income	5	**(296)**	(478)
Interest payable	9	**394**	332
Net cash inflow from operating activities		**(1,654)**	7,844
Cash flows from investing activities			
Investment income	5	**296**	478
Payments made to acquire fixed assets	12,32	**(1,266)**	(1,605)
		(970)	(1,127)
Cash flows from financing activities			
Interest paid	9	**(51)**	(50)
New secured loans	18,19	**10,000**	-
Repayments of loan amounts borrowed	18,19	**(403)**	(231)
Capital repayments of finance leases		**-**	(38)
		9,546	(319)
		6,922	6,398
less: deposits withdrawn		**-**	9,000
Increase in cash and cash equivalents in the year		**6,922**	15,398
Cash and cash equivalents at beginning of the year	23	**24,224**	8,826
Cash and cash equivalents at end of the year	23	**31,146**	24,224
Increase in cash and cash equivalents in the year		**6,922**	15,398

The reconciliation of net debt appears in Note 24

Statement of principal accounting policies and estimation techniques

Year ended 31 July 2021

1. General information

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

2. Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Accounts Direction issued by the Scottish Funding Council and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 edition).

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

3. Basis of preparation

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

The effect of events relating to the year ended 31 July 2021, 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 2021 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.

4. Going concern

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

The global COVID-19 pandemic increased the level of financial risk in 2020/21. In the event, the shortfall in student numbers and the associated income was very much smaller than anticipated, so our trading position and solvency were secure. 2021/22 is already experiencing strong student enrolment, consistent with the forecast in our 3-year financial plan. That plan shows 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, is in the process of being closed down and in the coming months, the company will cease to trade and its affairs will be settled. The intention is to dissolve the company before 31 July 2022.

5. Exemptions under FRS 102

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

6. Basis of consolidation

These financial statements comprise the results of the School and of its Group. The group financial statements include the School and its subsidiary, 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 and GSA Enterprises Ltd (which is in the process of being liquidated) have not been consolidated because Glasgow School of Art does not exert control or dominant influence over policy decisions.

The Centre for Digital Documentation and Visualisation LLP (CDDV) stopped trading by the end of 31 March 2020 with the reserves distributed amongst the two members post 31 March 2020. CDDV was struck off on 25 May 2021 and the partnership dissolved on 1 June 2021.

7. Recognition of Income

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

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

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

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

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

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

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

8. Interest receivable

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

9. Interest payable

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

10. Pension Schemes

Glasgow School of Art participates in two pension schemes providing benefits based on final pensionable pay, the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). All schemes are available to staff of more than one employer, are contracted out of the State Earnings-Related Pension Scheme, and the assets of the schemes are held separately from those of School. The Funds are valued by actuaries, the rates of contributions being determined by the trustees on the advice of the actuaries.

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

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value.

Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is recognised in the Statement of Comprehensive Income.

Scottish Teachers Superannuation Scheme
Members of the academic staff are members of the Scottish Teachers' Superannuation Scheme to which GSA contributes. It is not possible to identify each participating institution's share of the underlying assets and liabilities on a consistent and reasonable basis. Accordingly, GSA has utilised the provisions of FRS 102 whereby the contributions to the scheme are recognised as if it were a defined contribution scheme. The cost recognised within the Statement of Comprehensive Income will be equal to the contribution payable to the scheme for the year. Under statute, accounts for this scheme are prepared by the relevant body.

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

11. Employment benefits

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

12. Foreign currencies

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

13. Leased assets

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

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

14. Property, plant and equipment

Land and Buildings
Land and buildings are stated at cost or valuation, less a provision for depreciation. The basis of the valuation is depreciated replacement cost. The last valuation was carried out on 31 July 1995 by Grimleys, Chartered Surveyors. All additions since that date have been included at historical cost and their value is deemed to be at least equal to the cost incurred. Buildings are depreciated over their expected useful lives of up to 50 years, with subsequent improvements to buildings depreciated over their useful lives of 15 years.

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

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2021. They are not depreciated until they are brought into use.

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

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

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

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

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

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

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

15. Assets held for the Nation: Heritage Assets

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

The carrying value of heritage assets is reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage. GSA does not intend to dispose of heritage assets. The carrying value is based on the insurance value as at 31 July 2021. The valuation of the assets has been carried out by a range of independent valuers and was updated at 31 July 2021 to reflect recent acquisitions.

16. Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment in the Balance Sheet. Up to the point of its dissolution in 2020/21, the joint venture with Historic Environment Scotland, CDDV LLP, was accounted for under the net equity method.

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

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

17. Stocks

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

18. Cash and cash equivalents

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts.

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

19. Debtors

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

20. Creditors

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

21. Salix loan

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

22. 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. 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.

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 respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated tangible fixed assets is included in their cost.

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

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

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 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 revaluation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Recognising that, the financial impact of that uncertainty is quantified in the sensitivity analysis of the principal assumptions used to measure the scheme liabilities included in note 28.

The valuation of the heritage assets
The carrying value of heritage assets is based on the insurance value. That sum arises 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.

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 2021		Year ended 31 July 2020	
	Consolidated £000	School £000	Consolidated £000	School £000
Scotland and EU fees	**3,340**	**3,340**	3,686	3,686
RUK fees	**3,540**	**3,540**	3,427	3,427
Non-EU fees	**9,685**	**9,158**	10,465	9,436
Education contracts	**503**	**503**	547	547
Non-credit bearing course fees	**180**	**180**	245	245
	17,248	**16,721**	18,370	17,341

2 Funding body grants

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £000	School £000	Consolidated £000	School £000
General fund - Teaching	**7,969**	**7,969**	7,786	7,786
General fund - Research and Knowledge Exchange	**2,177**	**2,177**	1,711	1,711
Small specialist institution grant	**2,937**	**2,937**	2,871	2,871
Non-recurring COVID-19 support	**1,169**	**1,169**	-	-
Other SFC grants	**982**	**982**	900	900
Deferred capital grants released in year: Buildings	**1,178**	**1,178**	1,193	1,193
Equipment	**100**	**100**	100	100
	16,512	**16,512**	14,561	14,561

3 Research grants and contracts

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £000	School £000	Consolidated £000	School £000
Research councils	**480**	**480**	685	685
Research charities	**45**	**45**	79	79
Government (UK and overseas)	**1,430**	**1,430**	1,846	1,846
Industry and commerce	**43**	**43**	129	129
Other	**12**	**12**	3	3
	2,010	**2,010**	2,742	2,742

4 Other income

	Year ended 31 July 2021		Year ended 31 July 2020 *as restated*	
	Consolidated £000	School £000	Consolidated £000	School £000
Residences	**741**	**741**	1,328	1,328
Release from deferred capital grants (Non SFC)	**32**	**32**	123	123
Other income generating activities	**186**	**186**	167	167
Dividend paid from GSofA Singapore pte	**-**	**-**	-	-
Other income	**774**	**762**	639	709
COVID-19 Job Retention Scheme grant	**546**	**546**	790	790
	2,279	**2,267**	3,047	3,117
Insurance monies (including accrued income)	**10**	**10**	12,008	12,008
Development Trust income	**5**	**-**	6	-

5 Investment income

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £000	School £000	Consolidated £000	School £000
Investment income on endowments	**283**	**283**	285	285
Other investment income	**13**	**13**	193	193
	296	**296**	478	478

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 2021	Year ended 31 July 2020 *as restated*
	Consolidated £000	Consolidated £000
Glasgow	**37,820**	50,157
Singapore	**540**	1,055
	38,360	51,212

7 Staff costs

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £000	School £000	Consolidated £000	School £000
Salaries	**18,284**	**17,977**	18,279	17,810
Social security costs	**1,807**	**1,799**	1,827	1,814
Pensions	**3,350**	**3,341**	3,300	3,290
Pension FRS 102 service charge (note 28)	**2,520**	**2,520**	1,222	1,222
Severance and redundancy costs	**494**	**286**	171	171
Total	**26,455**	**25,923**	24,799	24,307

Staff costs per activity	**Year ended 31 July 2021**		Year ended 31 July 2020	
	Consolidated £000	School £000	Consolidated £000	School £000
Academic	**9,955**	**9,423**	9,706	9,214
Academic support	**3,608**	**3,608**	3,390	3,390
Research	**2,720**	**2,720**	2,908	2,908
Other support	**2,215**	**2,215**	2,181	2,181
Admin and central services	**3,378**	**3,378**	3,442	3,442
Premises	**1,668**	**1,668**	1,689	1,689
Residences	**105**	**105**	90	90
Pension FRS 102 service charge (note 28)	**2,520**	**2,520**	1,222	1,222
Severance and redundancy costs	**286**	**286**	171	171
	26,455	**25,923**	24,799	24,307

The average number of staff employed by the School expressed as full-time equivalents was:	**Year ended 31 July 2021**		Year ended 31 July 2020	
	Consolidated Nos	School Nos	Consolidated Nos	School Nos
Academic	**132**	**125**	132	124
Academic support	**90**	**90**	86	86
Research	**36**	**36**	43	43
Other support	**42**	**42**	42	42
Admin and central services	**48**	**48**	48	48
Premises	**61**	**61**	57	57
Residences	**2**	**2**	2	2
	411	**404**	410	402

Emoluments of Director	**Year ended 31 July 2021** Consolidated & School £000	Year ended 31 July 2020 Consolidated & School £000
Emoluments of Interim Director (in post 26 November 2018 - 24 May 2020)		
Salary	**-**	125
Pension contributions	**-**	28
	-	153
Emoluments of current Director (in post from 25 May 2020)		
Salary	**155**	25
Other taxable benefits: Business continuity allowance	**12**	3
Pension contributions	**37**	6
	204	34
Total emoluments of Directors		
Salary	**154**	150
Other taxable benefits: Business continuity allowance	**12**	3
Pension contributions	**37**	34
	204	187

The ratio of the remuneration of the Director to the median salary of a permanent staff member is 5.80:1 (2020: 6.26:1)

Compensation for loss of office payable to senior post holders	**Year ended 31 July 2021** Consolidated & School		Year ended 31 July 2020 Consolidated & School	
	Number	£000	Number	£000
Number of payments in excess of £100k during the year	**-**	**-**	-	-

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:

	Year ended 31 July 2021 Consolidated & School £000	Year ended 31 July 2020 Consolidated & School £000
Salaries	**1,534**	1,263
Employer’s national insurance	**190**	188
Pension contributions	**323**	278
Total emoluments	**2,047**	1,729
	Number	Number
The number of directors receiving benefits under defined benefit schemes:	**6**	4

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

	Year ended 31 July 2021 Consolidated & School Number	Year ended 31 July 2020 Consolidated & School Number
£100,001 to £110,000	**1**	-
£110,001 to £120,000	**1**	1
£120,001 to £130,000	**1**	1
£140,001 to £150,000	**-**	1
£160,001 to £170,000	**1**	-
	4	3

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 2021	Year ended 31 July 2020
	Consolidated & School	Consolidated & School
Emoluments of Chair	£000	£000
Salaries	**16**	16
Employer's National Insurance	**1**	1
Pension contributions	**-**	-
	17	17
Emoluments of Staff Governors		
Salaries	**351**	375
Employer's National Insurance	**44**	73
Pension contributions	**76**	85
	471	533
Total emoluments of Chair and Staff Governors		
Salaries	**367**	391
Employers National Insurance	**45**	74
Pension contributions	**76**	85
Total emoluments	**488**	550

8 Other operating expenses

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated	School	Consolidated	School
	£000	£000	£000	£000
Academic and related expenditure	**2,532**	**2,514**	2,811	2,870
Administration and central services	**2,329**	**2,267**	2,031	1,989
Premises	**4,222**	**4,199**	4,043	4,015
Residences, catering and conferences	**1,947**	**1,947**	1,372	1,372
Development Trust expenditure	**4**	**-**	11	-
Research grants and contracts	**688**	**688**	801	801
Other expenses	**1,063**	**1,063**	1,372	1,372
	12,785	**12,678**	12,441	12,419
Mackintosh Building debris clearance and stabilisation work	**4,404**	**4,404**	3,818	3,818

9 Interest and other finance costs

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated	School	Consolidated	School
	£000	£000	£000	£000
Mortgage and loan interest	**51**	**51**	50	50
Net charge on pension scheme (note 28)	**343**	**343**	282	282
	394	**394**	332	332

10 (Deficit)/surplus

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated	School	Consolidated	School
The (deficit)/surplus is stated after charging for:	£000	£000	£000	£000
External auditor’s remuneration : audit of the financial statements	**27**	**27**	21	21
External auditor’s remuneration : subsidiaries	**6**	**-**	9	-
External auditor’s remuneration : taxation compliance	**2**	**2**	1	1
External auditor’s remuneration : other audit work	**3**	**3**	5	5
Internal auditor’s remuneration in respect of audit services	**28**	**28**	24	24
Internal auditor’s remuneration other services	**-**	**-**	-	-
Depreciation - owned assets	**2,642**	**2,642**	2,537	2,537
Depreciation - financed assets	**-**	**-**	36	36
Operating leases - land and buildings	**1,733**	**1,733**	1,635	1,635

11 Taxation

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated	School	Consolidated	School
	£000	£000	£000	£000
Recognised in the statement of comprehensive income				
Current tax				
School	**-**	**-**	-	-
Tax re GSofA Singapore Pte Ltd	**-**	**-**	66	-
Total tax expense	**-**	**-**	66	-

No corporation tax was due on the activities of the School (2020: 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
Cost/valuation				
At 1 August 2020	84,251	10,515	-	94,766
Prior year adjustment (see note 32)	5,505	-	477	5,982
At 1 August 2020 as restated	89,756	10,515	477	100,748
Additions	182	234	850	1,266
Transfer to/(from) assets in the course of construction	16	-	(16)	-
At 31 July 2021	**89,954**	**10,749**	**1,311**	**102,014**
Consisting of valuation as at:				
1 July 1995	15,890	-	-	15,890
Cost	74,064	10,749	1,311	86,124
	89,954	**10,749**	**1,311**	**102,014**
Depreciation				
At 1 August 2020	16,098	6,335	-	22,433
Prior year adjustment (see note 32)	3,472	-	-	3,472
	19,570	6,335	-	25,905
Charge for the year	1,641	1,001	-	2,642
At 31 July 2021	**21,211**	**7,336**	**-**	**28,547**
Net book value				
At 31 July 2021	**68,743**	**3,413**	**1,311**	**73,467**
At 31 July 2020, as restated	70,186	4,180	477	74,843

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 and 2020/21 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 £1,292,755 (2020: £1,438,694) have been funded from Treasury sources. Should these particular buildings be sold, the School would have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

Valuation of Land & Buildings (Including Inherited Land & Buildings)	**As at 31 July 2021**	As at 31 July 2020
Land and buildings have been included at valuation with the following amounts:	£000	£000
Increase from valuation of inherited buildings	**3,346**	3,346
Increase from valuation of purchased buildings	**877**	877
Aggregate depreciation on revalued amount	**(2,477)**	(2,379)
Net book value	**1,746**	1,844

The inherited land and buildings concerned were all inherited prior to the 1995 valuation at nil cost. The net book value is £1,339,732 (2019/20: £1,413,986).

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

13 Heritage assets

The heritage assets include, amongst others, the School's Charles Rennie Mackintosh archives and collections. It also includes the Library's rare and valuable books collection.

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

The valuation disclosed in the Balance Sheet is based on the assessment of the insurance replacement value for the combined collections. Additions rot 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.

	2021	2020	2019	2018	2017
	£000	£000	£000	£000	£000
School					
Value of heritage assets acquired by donation, 1 August	**13,205**	12,719	12,719	12,919	10,734
Adjustments to valuation or cost	**206**	486	-	(200)	2,185
Balances as at 31 July	**13,411**	13,205	12,719	12,719	12,919
Glasgow School of Art Development Trust					
Value of heritage assets acquired by donation, 1 August	**66**	66	66	66	66
Adjustments to valuation or cost	**30**	-	-	-	-
Balances as at 31 July	**96**	66	66	66	66
Group Total	**13,507**	13,271	12,785	12,785	12,985

14 Endowments

Group and School	**2021** £000	2020 £000
At 1 August 2020	**4,703**	4,808
Additions	**1,755**	1,205
Disposals	**(1,817)**	(1,147)
Increase/(decrease) in cash balances held at fund managers	**17**	(45)
Appreciation of endowment asset investments in year	**605**	(118)
At 31 July 2021	**5,263**	4,703

15 Non-current investments

(a) Investment in joint venture

Historically, the School held a 50% share of The Centre for Digital Documentation and Visualisation LLP (CDDV), a joint venture owned equally by the School and Historic Environment Scotland, which was accounted for using the equity method, such that 50% of the company's gross assets and liabilities were incorporated into the consolidated balance sheet of the School and 50% of its net income is reported in the School's consolidated income and expenditure account. The Centre for Digital Documentation and Visualisation LLP (CDDV) stopped trading by the end of 31 March 2020 with the reserves distributed amongst the two members post 31 March 2020. CDDV was struck off on 25 May 2021 and the partnership dissolved on 1 June 2021.

	2021 £000	2020 £000
Statement of Comprehensive Income		
Net income	**-**	(4)
Balance sheet		
Current assets	**-**	39
Creditors: amounts due after more than one year	**-**	(1)
Share of net assets	**-**	38

(b) Investment in subsidiaries

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

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Company	**Principal activity**	**Class of shares**	**Percentage owned**
GSofA Singapore 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 is to raise funds to support the strategic priorities of The Glasgow School of Art.	Ordinary	n/a

16 Stock

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £000	School £000	Consolidated £000	School £000
General consumables	**123**	**123**	123	123
	123	**123**	123	123

17 Trade and other receivables

	Year ended 31 July 2021		Year ended 31 July 2020 *as restated*	
	Consolidated £000	School £000	Consolidated £000	School £000
Amounts falling due within one year:				
Trade debtors	**244**	**244**	735	725
Debts due from students	**449**	**449**	867	867
Amounts due from subsidiary companies	**-**	**745**	-	256
Amounts due from related parties	**12**	**12**	12	12
Tax and social security	**-**	**-**	8	8
Prepayments and accrued income	**1,218**	**1,061**	1,997	1,738
	1,923	**2,511**	3,619	3,606
Amounts falling due in more than one year:				
Development funding debtor	**5,251**	**-**	5,251	-

18 Creditors: amounts falling due within one year

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £000	School £000	Consolidated £000	School £000
Trade creditors	**492**	**486**	416	416
Secured loans	**718**	**718**	108	108
Unsecured loan	**628**	**628**	128	128
Payments in advance	**2,324**	**2,324**	1,952	1,952
Deferred capital grants	**1,309**	**1,309**	1,397	1,397
Taxation and social security	**29**	**19**	16	-
Research contracts accrual	**2,038**	**2,038**	2,273	2,273
Corporate tax	**-**	**-**	76	-
Accruals and deferred income	**2,958**	**2,929**	2,053	1,977
	10,496	**10,451**	8,419	8,251

19 Creditors: amounts falling due in more than one year

	Year ended 31 July 2021		Year ended 31 July 2020 *as restated*	
	Consolidated £000	School £000	Consolidated £000	School £000
Secured loan	**-**	**-**	719	719
Unsecured loan	**9,971**	**9,971**	765	765
Deferred capital grants	**55,076**	**50,076**	56,297	51,297
	65,047	**60,047**	57,781	52,781
Analysis of secured and unsecured loans:				
Due within one year or on demand (note 18)	**1,346**	**1,346**	236	236
Due after more than one year				
Due between one and two years	**628**	**628**	243	243
Due between two and five years	**1,883**	**1,883**	769	769
Due in five years or more	**7,460**	**7,460**	472	472
	9,971	**9,971**	1,484	1,484
Total secured and unsecured loans	**11,317**	**11,317**	1,720	1,720
Secured loans	**718**	**718**	827	827
Unsecured loan	**10,599**	**10,599**	893	893
	11,317	**11,317**	1,720	1,720

Details of loans

Barclays combined loan: A secured loan, repayable by quarterly instalments until December 2026, with a fixed interest rate of 5.59%. Since one of the loan covenants was not met at the balance sheet date, the entirety of the loan is shown as falling due within one year. Post year end, the Board have decided to seek the early repayment of this loan.

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 Barclays loan noted above is secured on the Sir Harry Barnes Building and the Margaret MacDonald House Residence. Following their funding contribution to renovation works to the Mackintosh Building, Scottish Ministers hold a standard security, established in 2008, over that property.

Deferred Capital Grants

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

	Funding Council £000	Other grants & benefactions £000	Total £000
Group			
As at 1 August 2020			
Buildings	60,408	245	60,653
Equipment	399	-	399
	60,807	245	61,052
Prior year adjustment (see note 32)			
Buildings	(3,358)	-	(3,358)
As at 1 August 2020 as restated			
Buildings	57,050	245	57,295
Equipment	399	-	399
	57,449	245	57,694
Released to Income and Expenditure			
Buildings	1,178	31	1,209
Equipment	100	-	100
	1,278	31	1,309
As at 31 July 2021			
Buildings	**55,872**	**214**	**56,086**
Equipment	**299**	**-**	**299**
	56,171	**214**	**56,385**
School			
As at 1 August 2020			
Buildings	50,408	5,245	55,653
Equipment	399	-	399
	50,807	5,245	56,052
Prior year adjustment (see note 32)			
Buildings	(3,358)	-	(3,358)
As at 1 August 2020 as restated			
Buildings	47,050	5,245	52,295
Equipment	399	-	399
	47,449	5,245	52,694
Released to Income and Expenditure			
Buildings	1,178	31	1,209
Equipment	100	-	100
	1,278	31	1,309
As at 31 July 2021			
Buildings	**45,872**	**5,214**	**51,086**
Equipment	**299**	**-**	**299**
	46,171	**5,214**	**51,385**

Expected release of Deferred Capital Grants:

	Year ended 31 July 2021		Year ended 31 July 2020 *as restated*	
	Consolidated £000	School £000	Consolidated £000	School £000
Expected within one year or on demand	**1,309**	**1,309**	1,397	1,397
Expected between one and two years	**1,309**	**1,309**	1,397	1,397
Expected between two and five years	**3,927**	**3,927**	4,191	4,191
Expected in five years or more	**49,840**	**44,840**	50,709	45,709
	56,385	**51,385**	57,694	52,694

20 Provisions for liabilities

Group and School	Pension on termination £000	Defined benefit obligation (note 28) £000	Total Pension Provisions £000
At 1 August 2020	882	23,263	**24,145**
Income and expenditure movement	(74)	2,863	**2,789**
Actuarial gain	-	(6,284)	**(6,284)**
At 31 July 2021	**808**	**19,842**	**20,650**

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

21 Endowment reserves

Group and School	Restricted permanent endowments £000	Expendable endowments £000	2021 TOTAL £000	2020 TOTAL £000
Balances at 1 August				
Capital	4,319	371	4,690	4,808
Accumulated income	13	-	13	-
	4,332	371	4,703	4,808
Investment income	280	-	280	285
Expenditure	(325)	-	(325)	(272)
Increase/(decrease) in market value of investments	605	-	605	(118)
Total endowment comprehensive income for the year	560	-	560	(105)
At 31 July	**4,892**	**371**	5,263	4,703
Represented by:				
Capital	4,937	371	5,308	4,690
Accumulated income	(45)	-	(45)	13
	4,892	**371**	5,263	4,703
Analysis by type of purpose:				
Prize funds	4,892	-	4,892	4,332
General	-	371	371	371
	4,892	**371**	5,263	4,703
Analysis by asset				
Current and non-current asset investments			4,645	4,102
Cash & cash equivalents			618	601
			5,263	4,703

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 2021		Year ended 31 July 2020	
	Consolidated £000	School £000	Consolidated £000	School £000
Campus redevelopment reserve				
Balances at 1 August	**8,364**	**7,910**	8,369	7,910
Income	**5**	**-**	6	-
Expenditure	**(4)**	**-**	(11)	-
Total restricted comprehensive income for the year	**1**	**-**	(5)	-
At 31 July	**8,365**	**7,910**	8,364	7,910
Analysis of other restricted funds/donations by type of purpose				
Campus redevelopment (including Mackintosh restoration)	**8,365**	**7,910**	8,364	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 2021		Year ended 31 July 2020	
	Consolidated £000	School £000	Consolidated £000	School £000
Balance at 1 August	**24,224**	**22,799**	8,826	8,186
Cash flow, in year	**6,922**	**6,501**	15,398	14,613
Balance at 31 July	**31,146**	**29,300**	24,224	22,799

24 Consolidated reconciliation of net debt

	2021 £000
Net debt 1 August	**(22,504)**
Increase in cash and cash equivalents	**(6,922)**
New loans	**10,000**
Repayment of borrowings	**(403)**
Net debt 31 July	**(19,829)**
Change in net debt	**2,676**

Analysis of net debt	2021 £000	2020 £000
Cash and Cash equivalents	**31,146**	24,224
Borrowings: amounts falling due within one year		
Secured loans	**718**	108
Unsecured loans	**628**	128
	1,346	236
Borrowings: amounts falling due after more than one year		
Secured loans	**-**	719
Unsecured loans	**9,971**	765
	9,971	1,484
Net debt (positive net cash position)	**(19,829)**	(22,504)

25 Lease obligations

Total rentals payable under operating leases:	**Year ended 31 July 2021**		Year ended 31 July 2020	
	Consolidated £000	School £000	Consolidated £000	School £000
Future minimum lease payments due:				
Not later than 1 year	**1,246**	**1,246**	1,236	1,236
Later than 1 year and not later than 5 years	**3,766**	**3,766**	3,750	3,750
Later than 5 years	**12,620**	**12,620**	13,573	13,573
Total lease payments due	**17,632**	**17,632**	18,559	18,559

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 2021.

The transactions between GSA and GSofA Singapore related to management costs paid from GSofA Singapore to GSA of £488,642 (2020: £96,333). As at 31 July 2021, a debtor of £745k (2020: £256k) is outstanding at the year end.

This 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 7 members of staff were made redundant, at a total cost of £207,000 and the company ended the year with net assets of £1.1m. No dividend has been declared by GSofA Singapore Pte Ltd in the current year (2020: £nil).

In the coming months, the company's affairs will be settled and the intention is to dissolve the company before 31 July 2022.

Centre for Digital Documentation and Visualisation LLP

Historically, the School held a 50% share of The Centre for Digital Documentation and Visualisation LLP (CDDV), a joint venture owned equally by the School and Historic Environment Scotland, specialising in the precise documentation and 3D representation of heritage objects, architecture and environments in Scotland and internationally, utilising state of the art high resolution laser scanning technology and 3D visualisation software. The School undertook work, at arm's length prices, for the joint venture.

With GSA and Historic Environment Scotland having mutually agreed to cease trading and to dissolve the partnership ahead of CDDV's 2020 year-end, in the current year, the value of services provided by GSA to CDDV LLP is £nil (2020: £5,737); there is no operating surplus or deficit (2019/20: deficit of £4,000); and the distribution from CDDV to GSA was £nil (2020: £39,000).

With the reserves having been distributed amongst the two members in the previous accounting period, the value of the investment in the joint venture at this year-end is £nil (2020: £38,000).

The partnership was dissolved on 25 May 2021.

Glasgow School of Art Development Trust

This was established in 2010 to support the major capital priorities of The Glasgow School of Art. Following the 2014 fire in the Mackintosh Building the Trust delivered the Mackintosh Campus Appeal to support the School to recover from the consequences of the fire. It is an independent charitable trust governed by a deed of trust and is registered with OSCR.

Its financial results have been consolidated into the accounts for the year to 31 July 2021.

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

The audit fee £3,720 (2020:£3,600) 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 2020/21 totalled £165,000 (2019/20 (£252,690).
- The balance owed to GSA at the year end, and included in debtors, is £12,340 (2020:£12,340).
- During the year, the School incurred expenditure on behalf of GSASA of £3,000 (2020: £21,723). In the prior year, during a period that GSASA could not access its bank account, GSA paid wages of £7,356 to three of GSASA's employees. During the current year, GSASA paid these monies to the employees who then re-imbursed GSA.
- GSA donated assets with a fair value of £nil (2020: £63,535) in the year.

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 cost of the SPF scheme was £1,549,000 for the Group and School (2019/20: £1,557,000 for the Group and School) and the cost of the STPS was £1,737,000 for the Group and School (2019/20: £1,677,000 for the Group and School). Other pension costs totalled £64,000 for the Group and £55,000 for the School (2019/20: £66,000 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 2021. The employer contribution rate for the period from 1 August 2020 to 31 March 2021 was 20.5% of pay; rising to 20.8% for the period 1 April 2021 to 31 July 2021. The employee contribution rate was variable during 2020/21 depending upon the individual level of remuneration. The range was from 5.5% to 10.4%. There were no outstanding pension contributions at the year end. Principal actuarial assumptions (expressed as weighted averages) at the end of the year were as follows:

Financial assumptions	**2021**	2020
Pension increase	**2.85%**	2.20%
Salary increase rate	**3.55%**	3.30%
Discount rate	**1.60%**	1.40%

Mortality assumptions

The average future life expectancies at age 65 used to determine benefit obligations are as follows:	**Male**	**Female**
Current pensioners	19.8 years	22.6 years
Future pensioners	21.2 years	24.7 years

Fair value of the plan assets and the return on those assets were as follows:	**2021** **£000**	2020 £000
Equities	**37,839**	29,759
Bonds	**13,760**	11,809
Property	**5,160**	5,196
Cash	**573**	473
	57,332	47,237

Analysis of the amount shown in the balance sheet	**2021** **£000**	2020 £000
Fair value of plan assets	**57,332**	47,237
Present value of funded benefit obligations	**(77,174)**	(70,500)
Pension liability	**(19,842)**	(23,263)

Analysis of the amounts charged to Profit & Loss	**2021** **£000**	2020 £000
Service costs	**4,069**	3,438
Past service costs	**-**	(508)
Employer contributions	**(1,549)**	(1,708)
	2,520	1,222
Interest on plan assets	**(668)**	(1,001)
Interest cost on defined benefit obligation	**1,011**	1,283
Net interest	**343**	282
Net charge on pension liability to SOCI	**2,863**	1,504
Actual return less expected return on pension scheme assets	**9,856**	(2,136)
Experience gains and losses arising on the scheme liabilities	**1,076**	271
Changes in financial assumptions underlying the present value of the scheme liabilities	**(4,648)**	(7,362)
Actuarial gain/(loss) recognised in Other Comprehensive Income	**6,284**	(9,227)

Analysis of movements in present value of the scheme liabilities	2021 £000	2020 £000
Opening defined benefit obligation	**70,500**	59,545
Current service cost	**4,069**	3,438
Past service cost	**-**	(508)
Interest cost	**1,011**	1,283
Contribution by members	**499**	504
Actuarial gains	**4,648**	7,362
Experience gains and losses	**(2,466)**	(271)
Benefits paid	**(1,087)**	(853)
Closing defined benefit obligation	**77,174**	70,500

Analysis of movements in fair value of the scheme assets	2021 £000	2020 £000
Opening fair value of employer assets	**47,237**	47,013
Expected return on assets	**668**	1,001
Contributions by members	**499**	504
Contribution by employer	**1,549**	1,708
Actuarial gains/(losses)	**8,466**	(2,136)
Benefits paid	**(1,087)**	(853)
Closing fair value of employer assets	**57,332**	47,237

The School expects to contribute approximately £1,564k to the Strathclyde Pension Fund in the next year. The cumulative actuarial loss at 31 July 2021 was £5,659k (2019/20: loss of £11,943k).

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 2021	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	1,724
1 year increase in member life expectancy	4%	3,087
0.1% increase in the Salary Increase Rate	0%	215
0.1% increase in the Pension Increase Rate	2%	1,482

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 0.28% based on its 2019/20 cost (£1,557,000) as a proportion of the employer contributions paid in 2019-20 (£559.1m).

29 Bursary and Other Student Support Funds

	Hardship £000	Coronavirus discretionary fund £000	Childcare £000	2021 Total £000	2020 Total £000
Balance brought forward at 1 August 2020	-	-	-	-	-
Funds received in year	133	208	12	353	162
Expenditure	(133)	(208)	(12)	353	(162)
Balance carried forward at 31 July 2021	-	-	-	-	-

30 Capital commitments

At 31 July 2021 there were capital commitments of £1,624,874 (2020: £nil).

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 Prior year adjustments

During the year, a number of issues came to light that require adjustment of the previously reported financial statements:

Revision of impairment estimates

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 was impaired, equal to the best estimate of the remedial works required to reinstate these buildings; first, in 2017/18, by £2m and subsequently to reflect a better assessment of the extent and complexity of the reinstatement work required, by a further £3.5m in 2019/20. On reflection, it is thought more appropriate to recognise the impairment equal to the proportion that the damaged element represented of the net book value of the whole asset immediately following the fire, thus:

- the previous impairments have been reversed;
- a revised impairment has been reflected by way of an adjustment to the 2017/18 accounts;
- the associated deferred capital grant has been released, proportionate to the original funding of the asset; and
- recognising that although 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 so, the associated insurance income should be more appropriately recognised as a contingent asset.

Capitalisation of consequential damage repairs

In 2019/20, expenditure relating to some preparatory work associated with the repair of the consequential damage to the Reid, Bourdon and Assembly Buildings was expensed. It is recognised that this should, more appropriately, have been capitalised as at 31 July 2020. That change has been reflected by way of an adjustment to the prior year's accounts.

Financial position	1 August 2019		31 July 2020	
	Consolidated £000	School £000	Consolidated £000	School £000
Total reserves, before adjustments	37,508	36,264	35,364	33,739
Reversal of previous impairment estimate	2,000	2,000	5,505	5,505
Revised impairment estimate	(3,472)	(3,472)	(3,472)	(3,472)
Deferred capital grant release	3,358	3,358	3,358	3,358
Reversal of insurance income accrual	(2,000)	(2,000)	(5,505)	(5,505)
Capitalisation of consequential damage repairs	-	-	477	477
Total effect of adjustments	(114)	(114)	363	363
Total reserves, after adjustments	37,394	36,150	35,727	34,102

Financial performance	31 July 2020	
	Consolidated £000	School £000
Total comprehensive income for the year, before adjustments	(2,144)	(2,525)
Capitalisation of consequential damage repairs	477	477
Total effect of adjustments	477	477
Total comprehensive income for the year, after adjustments	(1,667)	(2,048)

33 Post balance sheet event

On 25 January 2022, the Scottish Fire and Rescue Service (SFRS) published their fire investigation report into the June 2018 Mackintosh Building fire. The report can be found the SFRS website (www.firescotland.gov.uk).

34 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

Primary Reserve ratio

			Year ended 31 July 2021 £GBP	Year ended 31 July 2020 £GBP
31	Balance Sheet -Total Equity	Total equity	£ 34,487,000	£ 35,727,000
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	£ 86,974,000	£ 88,114,000
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	£ 83,867,000	£ 86,509,000
FS Note line 8B	Note of the Financial Statements Blance 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 8 D	Note of the Financial Statements Blance 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	£ 1,796,000	£ 1,128,000
FS Note line 8 C	Note of the Financial Statements –Balance sheet - Property, Plant and Equipment, Construction in progress	Construction in progress	£ 1,311,000	£ 477,000
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	£ 20,650,000	£ 24,145,000
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	£ 11,317,000	£ 1,720,000
M15,19,20,2 3,24Note 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	£ 1,484,000	£ 1,720,000
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	£ 9,833,000	£ -
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	£ -	£ -
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*	**Total Expenses and Losses**	£ 46,120,000	£ 44,068,000

Equity ratio

			Year ended 31 July 2021 £GBP	Year ended 31 July 2020 £GBP
		Modified Equity		
31	Balance Sheet -Total Equity	Total equity	£ 34,487,000	£ 35,727,000
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	£ -	£ -
		Modified Assets:		
13	Balance Sheet – Total Assets	Total Assets	£ 130,680,000	£ 126,072,000
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 2021 £GBP	Year ended 31 July 2020 £GBP
48	Statement of (Loss) Income – Net Income Before Income Taxes	**Income Before Taxes**	-£ 7,760,000	£ 7,140,000
35, 43, 46	Statement of (Loss) Income – Total Revenue Interest income and Other miscellaneous income*	**Total Revenue and Gains**	£ 38,360,000	£ 51,208,000