

**Reports and
Financial Statements
for the year ended
31 July 2017**

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MEMBERS OF THE BOARD OF GOVERNORS

who served during the year 1 August 2016 to 31 July 2017.

Common Council Members

Deputy John Bennett (Chairman)
Vivienne Littlechild (Deputy Chairman)
Deputy John Barker, OBE (until 23 March 2017)
Deputy Michael Cassidy (from 27 April 2017)
Deputy John Chapman
Stuart John Fraser, CBE
Marianne Fredericks
Lucy Frew (until October 2016)
Alderman David Graves
Jeremy Mayhew
Graham Packham (from 27 April 2017)
Adam Richardson (from 12 January 2017 until 23 March 2017)
Alderman William Russell
Jeremy Simons

Principal of the Institution

Professor Barry Ife, CBE as Principal of the Guildhall School of Music & Drama (until January 2017)
Lynne Williams, as Principal of the Guildhall School of Music & Drama (from February 2017)

Institution's Staff Members

Gareth Higgins elected by Administrative Staff
Jo Hensel elected by the Academic Staff

Institution's Student Representative

Thomas Steer as President of the Students' Union

Co-opted Governors

Sir Andrew Burns, KCMG
Christina Coker, OBE
Professor Geoffrey Crossick
Shreela Ghosh (from 13 June 2017)
Michael Hoffman

Advisory Members

Chairman of the Barbican Centre Board
Chairman of the Culture, Heritage & Libraries Committee
Representative of the Centre for Young Musicians

Officers of the Board of Governors

Clerk to the Governors: John Barradell, OBE
Town Clerk & Chief Executive, City of London Corporation

STRATEGIC REPORT 2016/17

Overview

2016/17 has been a year of transition. Former Principal, Professor Sir Barry Ife retired in January 2017 and I took over as Principal in February 2017. One of my first tasks was to collaborate with students, staff and stakeholders in the development of a new five year strategic plan. During the process, areas of potential review and refreshment came to light including: a review of the School's under 18 offer through Guildhall Young Artists and Creative Learning; the development of a robust decision-making process around international opportunities; a reinvigorated artistic and educational alliance with the Barbican Centre; and an increased level of activity within innovation, research and enterprise across the School. There will also be a review of current and planned higher education courses to ensure we remain future-focussed and our graduates are industry-ready. The Board of Governors will approve the new strategic plan in February 2018.

To support the ambitions of the new plan, the Development & Alumni Relations Office has been restructured and will be led by a new Vice Principal, Director of Advancement with a broader remit to drive business development across the School.

The School has also been a major player in progressing two collaborative projects with City of London arts organisations which will offer enhanced opportunities for our students in the future. Together with the Barbican Centre, the London Symphony Orchestra, the Museum of London and the City of London Corporation, the Guildhall School announced plans in July for Culture Mile, a major destination for culture, creativity and learning in the Square Mile. This ambitious and transformational initiative will create a vibrant cultural area in the north-west corner of the City over the next 10 to 15 years. Stretching just under a mile from Farringdon to Moorgate, including the entire Guildhall School campus, Culture Mile will have creative exchange, cultural collaboration and learning at its core.

The second project involves the School in a partnership with Barbican Centre, London Symphony Orchestra and the City Corporation in the preparation of a business case for a new Centre for Music within Culture Mile. The Centre will be a dynamic forward-looking facility connecting performance, discovery and learning and Guildhall School will have enhanced opportunity and visibility for students, staff and graduates who are contributing to research and initiatives in engaging new audiences for live performance.

Highlights of our international work this year were three major projects undertaken with partners in China.

We delivered the first technical theatre training courses in partnership with the Royal Opera House, to cohorts in Shanghai and Beijing. The School hosted a residency by the Shanghai Grand Theatre Arts Group, featuring a performance of traditional Chinese music and the UK premiere of *The Wager*, an original contemporary Chinese opera by Wen Deqing. The first cohort of acting students from the Central Academy of Beijing have commenced year two of their joint Acting Studies degree and are accommodated with us in Sundial Court.

The School's successful outcome from the funding council's review of institution-specific funding has enabled investment in our practice-based higher education learning and teaching environment including new courses with a greater emphasis on cross discipline outcomes and initiatives within the digital space, adding to Guildhall's distinctive programme offer. This is bearing fruit as our recruitment and retention over the last few years has been strong.

However, there is considerable uncertainty about the future recruitment of EU students post Brexit. Even more significant than the risk of us not recruiting approximately 170 students from the EU, is the risk of losing the rich and enhanced learning environment that our current mix of national and European students experience. It will be difficult for the School, and the conservatoire sector in general, to maintain world-class provision if the most talented students from the EU are unable to train here. The School is undertaking some scenario planning, reviewing its fundraising strategy and case for support, and is looking at ways of reaching talented international students and enabling them to train in the UK.

The Guildhall School

Founded in 1880 by the City of London Corporation, and owned, funded and managed by the City, the Guildhall School is eloquent testimony to its founders' commitment to education and the arts. The School was designated as a Higher Education Institution on 1 August 2006, since when it has received an annual teaching grant from HEFCE, together with Higher Education Innovation funding for its third-stream activity and, from 2009 a Quality Research grant, following a successful first entry to the Research Assessment Exercise in 2008 and an even more successful submission to the 2014 REF. The funding council review of institution-specific funding has delivered an additional four million pound per annum of additional funding from the academic year 2016/17.

Situated in the heart of the City, the School moved to its present premises in the Barbican estate in 1977. The opening of the Barbican Arts Centre in 1982 enabled the School to forge a unique link with both a world-class arts centre and a world-class orchestra, the London Symphony Orchestra. In 2008/09 the three organisations formed a strategic partnership and applied successfully for support from the HEFCE strategic development fund (SDF). The development of Milton Court, adjacent to the Barbican estate, remains central to the vision of making Barbican Guildhall School a leading centre for performance, training and education in the performing and visual arts.

In addition to the support of the principal funders, Guildhall School students receive significant assistance through scholarships and bursaries administered by the Guildhall School Trust, the School's linked charity

Student Population, all full-time equivalent (fte) unless stated (as at the Higher Education Students Early Statistics Survey census date):

Student Population, all full-time equivalent (fte) unless stated (as at the Higher Education Students Early

	2016/17	2015/16	2014/15	2013/2014	2012/2013
TOTAL	963.75 (fte)	910.5 (fte)	893.96 (fte)	852.5 (fte)	804.5 (fte)

By division:

	2016/17	2015/16	2014/15	2013/2014	2012/2013
Music Undergraduate	412	399	405	391	394
Music Postgraduate	334.75	310.5	308.62	283.5	234.5
Acting and Technical Theatre	217	201	180.34	178	176

The total also included:

	2016/17	2015/16	2014/15	2013/2014	2012/2013
Non-HEFCE-funded programmes	24.5	24	15	8.5	19
Joint Doctorate of Musical Arts research programme with City University	0	0	7	0	5

The total does not include

	2016/17	2015/16	2014/15	2013/2014	2012/2013
Junior Fellows	33	38	33	28	22

65 (2015/16 – 63, 2014/15 – 60, 2013/14 – 53, 2012/13– 53) countries were represented in the student body:

Domicile (Headcount of whole nominal roll population inc. Fellows)	2016/17	2015/16	2014/15	2013/2014	2012/2013
Outside UK	348 (36.1 %)	312 (31.9 %)	380 (33 %)	300	281
Outside of EU	143 (14.7 %)	129 (13.2%)	156 (13.56%)	113	98
	2016/17	2015/16	2014/15	2013/2014	2012/2013
First Class Honours	37%	31%	29%	25%	34%
Upper Second Class Honours	57%	60%	65%	65%	50%

Performance Highlights

During the 2016/17 season the School mounted a challenging programme of drama productions including *August* (adaption of Chekhov's *Uncle Vanya*), *The Crucible*, *Great Expectations*, *Herons* by Simon Stephens, *The (Imaginary) Misogynist*, Nick Payne's *The Same Deep Water As Me*, *Balm in Gilead* and the musical, *Crazy For You*. Opera audiences enjoyed productions of Stravinsky's *Mavra*, Tchaikovsky's *Iolanta*, *The Tale of Januárie* (Guildhall's first opera commission from Head of Composition, Julian Philips and Writer in Residence Stephen Plaice) and Handel's *Radamisto*.

The successful Alumni Recital Series continued in 2016/17 and welcomed *Kathleen Ferrier*:

Whattalifel, *Guitar Spectacular* and *Cellophony* (a cello octet). The Faculty Recital Series audiences continued to enjoy performances from Ronan O'Hora, Andras Keller, Louise Hopkins and Matthew Jones, Charles Owen and Katya Apekisheva. Saxophone professor John Harle performed and launched his new book and Nicholas Daniel and friends gave a chamber recital which included a Liszt premiere.

The 2017 Music Gold Medal was won by Josep-Ramon Olivé and awarded at the end of an exciting concert at the Barbican Hall. Later in the year, Steffan Cennydd and Oscar Selfridge were awarded the Acting and Technical Theatre Gold Medals respectively. The Guildhall Wigmore Recital Prize, a competition run jointly by the School and the Wigmore Hall, with a Wigmore recital as the prize, was won by cellist Michael Petrov and the Junior Guildhall Lutine Prize was won by trumpeter, William Thomas.

The Jazz Department welcomed back alumnus Anthony Strong for a performance with Guildhall Jazz Band and Choir, while Mike Walker and Iain Dixon performed as part of a residency. The annual Jazz showcase took place in May featuring three days of student and visiting artist performances.

Creative Learning held their annual *Dialogue* event at Barking's Broadway Theatre which featured the culmination of work by students and staff with local community groups including projects with homelessness charity St Mungo's, Barking and Dagenham based group Her Dynamic (a Somali Women's group), Broadway Playhouse (a group of young people with special needs) and Green Shoes (a mental health support group).

July's *Curious* festival took place in the Barbican Exhibition Halls and showcased new work and collaborations between Guildhall School students in Masters in Leadership, BA in Performance and Creative Enterprise and Technical Theatre Arts working alongside students from Central St Martins. Creative Learning delivers courses focused on new cross-discipline work, enterprise & entrepreneurship, socially-engaged practice, and bespoke learning opportunities. The department also continues to lead core curriculum modules in Professional Studies for all undergraduate students.

Technical Theatre Arts held an exciting Graduate Exhibition to showcase work of final year students and presented a unique event of video projection mapping in the Bascule Chamber of Tower Bridge.

Students were also involved in many performances with partner organisations: Guildhall musician's took part in the Barbican's Steve Reich at 80 Weekend and the BBC Symphony Orchestra's Total Immersion celebrations for Richard Rodney Bennett and Philip Glass at 80. Students also joined with Richard Tognetti and the Australian Chamber Orchestra as part of their Barbican residency and performed in a dynamic side-by-side concert with the orchestra in Milton Court. Guildhall singers and instrumentalists were involved in *A Trip to the Moon*, an LSO opera premiere conducted by Sir Simon Rattle.

Visiting conductors included Adrian Leaper, Diego Matheuz and Pietari Inkinen. Masterclasses provided a further opportunity for students to work with distinguished musicians including Gerald Finley, Paul Lewis, Richard Goode, Mark Padmore, Jonathan Biss, Edith Wiens and musicians from the New York Philharmonic.

Funding

The Guildhall School of Music & Drama is a department of the City of London Corporation which was its sole funder until 2006 when the School was designated as a publicly-funded Higher Education

Institution and started to receive funding from HEFCE.

Despite having received designation, the School's relationship with the City has not altered; the City still contributes significant support to the School on an annual basis and the School continues to operate within the City's governance arrangements.

The financial accounts presented here have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP 2015) and other relevant Accounting Standards in so far as they are relevant to the School in the context above.

Financial Results for the year

As anticipated, 16/17 has a strong financial outturn, yielding a £2.3m surplus, largely due to the transitional nature of the year with planned projects postponed until the new Principal took up her post and new areas for investment were agreed by the Board of Governors. There was also increased recruitment against our plan. The surplus has also been helped by the timings of our summer schools which led to an increased number counted in 2016/17.

Our aim for this year was to have a surplus to fund investment into our new five year strategic plan and ensure we remain world leading into the future.

Conclusion

To conclude this, my first report as Principal of the Guildhall School, I would summarise by saying the Guildhall School continues to offer world-leading professional training in music, acting and technical theatre arts. It continues to work hard at developing synergies across art forms and particularly within disciplines in which Guildhall specialises and it works in effective partnership with some of the world's most outstanding individual artists, companies and ensembles. We promote an ethos of professionalism, creativity and an entrepreneurial attitude that professional partners increasingly recognise as part of our distinctive excellence. Alongside the highest professional standards of vocal, instrumental, performance and technical excellence, our students learn to work together in ensembles and companies, learn how to create new work and develop new audiences, and how to be ambassadors for their art and advocates for culture more generally. At the same time, our staff have committed strongly to professional development and we now have over 80 fellows of the Higher Education Academy, have won national teaching fellowships and validation by the HEA of our professional development and PGCert programmes.

I would like to thank my predecessor, Professor Sir Barry Ife, for his significant contribution to the Guildhall School over many years as Principal. He has left a lasting legacy in terms of the School's reputation for excellence and our world-leading status. We are thrilled that he remains in close contact with us as Senior Research Associate of the Guildhall School. I hope to continue to present the School as a distinctive learning and teaching environment which not only prepares students for leadership within the performing arts but also offers opportunities for them to explore the crucial role of artists in contemporary society. My thanks to our Board of Governors, staff and all of our students who work so hard to ensure the ongoing success of the Guildhall School.

Lynne Williams
Principal

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The Guildhall School of Music & Drama (Guildhall School) is owned and governed by the City of London Corporation (City Corporation), the legal status of which is that of a municipal Corporation by Prescription.

The Guildhall School was designated as a publicly-funded Higher Education (HE) Institution for the first time on 1 August 2006. It is unusual in the HE sector in that it is essentially a department of a much larger corporate body and has no legal personality of its own. Arrangements for the distribution of funding to the Guildhall School by the Higher Education Funding Council for England (HEFCE) take account of these circumstances to ensure that public funds are used for the purpose intended at all times.

Before designation, the Guildhall School operated exclusively under the standing orders and regulations of the City Corporation. As a result of designation it has adjusted its governance arrangements to enable it to comply with the responsibilities and reporting requirements placed on it as a publicly-funded body, whilst also maintaining its compliance with those of its owner.

City of London Corporation

The City Corporation provides local government services for the 'Square Mile', but its responsibilities extend to many other facilities for the benefit of the nation. These include open spaces such as Epping Forest and Hampstead Heath, Smithfield and Billingsgate Markets, maintenance of five Thames bridges, and grants for charitable purposes across Greater London. These services are funded from the City Corporation's own resources at no cost to the public.

The City Corporation has been in existence since before 1189 and operates through its Lord Mayor, Aldermen and other members of the Court of Common Council elected by the residents and businesses of the City's 25 wards. Like the Lord Mayor and Aldermen, the Members of the Court of Common Council carry out their work unpaid.

The Court of Common Council is the City of London's primary decision-making assembly. It works through committees, but it is unique in that, as a body, it is non-party political. Its main business focuses on the reports of committees and members' questions and motions.

Board of Governors

One of those committees is the Board of Governors of the Guildhall School of Music & Drama. Although part of the City Corporation's overall committee structure, it acts as the Guildhall School's governing body and discharges its duties accordingly. Assurances have been made by the City Corporation that it recognises the need for the Guildhall School's Board of Governors to enjoy operational autonomy and will not without good cause challenge any decision of the Board of Governors that has been properly arrived at, is within its terms of reference and is in accordance with a business plan approved by the City Corporation.

The Board of Governors includes independent governors who are not members of the Court of Common Council, and who bring expertise to the Board from the arts and education sectors. The Board consists of:

- 11 members elected by the Court of Common Council for a term of three years (renewable twice);

- the Principal of the Guildhall School;
- one member of the Guildhall School academic staff elected by such staff for a term of three years (renewable twice);
- one member of the Guildhall School administrative staff elected by such staff for a term of three years (renewable twice);
- one Guildhall student representative, normally the President of the Guildhall School Student Union (ex-officio);
- up to six co-opted non-City Corporation Governors with appropriate expertise for a term of three years (renewable twice); and
- three advisory members: the Chairman of the Barbican Centre Board; the Chairman of the Culture, Heritage & Libraries Committee; and a representative of the Centre for Young Musicians

Normally governors do not serve on the Board for more than nine years. The Chairman and Deputy Chairman of the Board are elected from the Common Council Governors.

Appointment to the Board of Governors is confirmed each April by resolution of the Court of Common Council. The full list of Governors who served on the Board during the year 1 August 2016 to 31 July 2017 is given at the beginning of this document.

The Board of Governors normally meets four or five times per year and is now advised by six committees, each of which operates according to Terms of Reference approved by the Board, and whose membership must be approved by the Board on an annual basis.

The Audit & Risk Management Committee meets at least three times per year and concerns itself with the adequacy and effectiveness of the Guildhall School's arrangements for risk management, control and governance, and economy, efficiency and effectiveness (value for money).

The Nominations Committee seeks out and makes recommendations to the Board on the appointment of new non-City Corporation governors with a particular brief to ensure transparency in the process. It meets as required when vacancies occur.

The Remuneration Committee meets as required to review and make recommendations on the salaries and terms and conditions of the Principal and such other members of staff as the Board deems appropriate.

The Governance and Effectiveness Committee carries out full reviews to consider improvements to the effectiveness of the Board of Governors every three years. When a full review is being undertaken the Committee determines the frequency of its meetings. In those years when a full review is not being undertaken, the Committee meets at least once a year to consider progress of implementation of the Committee's recommendations.

The Finance and Resources Committee was set up in 2009 as a result of an Effectiveness Committee review on the Board of Governors. The Committee is chaired by the Chairman of the Board, and meets to review any matters that may affect the finances of the Guildhall School, reporting to the Main Board. The Committee meets at least 3 times a year to discuss, advise on and examine finance and resource issues.

The Reference Sub Committee meets as required to address any issues that may arise outside the cycle of the Board, and are moderately urgent, but the Chairman and Deputy Chairman feel that the matter is sufficiently great that other Members' views should be sought before a decision is made, thus ruling out urgency procedures. The Reference Sub Committee can meet in conjunction with the Reference Sub Committee of the Barbican Centre Board to discuss matters referred to the joint meeting by the respective Boards of Barbican Centre and Guildhall School of Music and Drama with powers to act as prescribed by the two Boards.

Statement of primary responsibilities

The School operates according to an Instrument and Articles of Government revised and approved in 2015 by the Privy Council following granting of degree-awarding powers.

Except where otherwise noted in this statement, and consistent with an undertaking given by the Court of Common Council in December 2005, the Board of Governors also complies, as far as is consistent with its unique constitutional status, with the Higher Education Code of Governance published by the Committee of University Chairs in December 2014.

In common with all the committees of the City Corporation, the Board also operates to Terms of Reference, which are approved by the Court of Common Council each April and are incorporated into the Instrument and Articles. These act as the Board's Statement of primary responsibilities and are given below.

To be responsible for:

- the approval of a strategic plan and the determination of the educational character and the mission/aims of the Guildhall School and oversight of its activities;
- the effective and efficient use of resources;
- the approval of an annual business plan;
- the approval of annual estimates of income and expenditure;
- the approval of the annual audited financial statements of the Guildhall School of Music & Drama;
- the appointment of the Principal of the Guildhall School and, where appropriate, the deputy;
- the management of the School's land and buildings belonging to the City Corporation (with the exception of those that are in the province of another City Corporation committee) subject always to compliance with the Code of Practice for Disposal of Property;
- writing off debts in accordance with such terms and conditions as are from time to time established by the Court of Common Council;
- authorising the institution of any criminal or civil proceedings arising out of the exercise of its functions;

each of the above to be subject to the City Corporation's Standing Orders, Financial Regulations, and such other terms and conditions as the City Corporation may determine, other than where varied otherwise.

Following granting of degree-awarding powers in 2014, and as provided for in the Instrument and Articles (paras 7 and 8), the School Board of Governors has established an Academic Board, responsible under delegated authority from the Board for the regulation of the academic work of the School in teaching, examination and research and to advise the Board on academic matters affecting the School. In common with the practice in all other HEIs, the Board is required to consult the Academic Board on any matter

coming before the Board of Governors which has academic implications and which has not previously been considered by the Academic Board.

Following designation as an HEI in 2006, financial accounts are prepared for each academic year ending 31st July. This is in addition to the accounts required for the City's financial year end of 31st March.

Executive management

The Principal is the chief officer of the Guildhall School, with responsibility to the Board of Governors for its organisation, academic and artistic direction and day-to-day management. She is supported in her work by a Senior Leadership Team which meets fortnightly and consists of the three Vice-Principals (Directors of Music, Drama and Academic Affairs) and such other senior managers as are required by the business in hand. The Senior Leadership Team also meets as required with members of the Board who act in an advisory capacity.

The Principal is also a chief officer of the City Corporation, responsible to the Town Clerk who is its chief executive. The City Corporation's standing orders and financial regulations govern the extent to which powers are delegated to chief officers, and when decisions must be taken by committee.

Under the terms of reference of the Financial Memorandum between the Guildhall School and the HEFCE, the Principal is the designated officer and in that capacity can be summoned to appear before the Public Accounts Committee.

Prevention and detection of fraud, and conflicts of interest

The City Corporation expects all people and organisations associated with it to be honest and fair in their dealings with the City Corporation and its clients and customers. The City Corporation expects members and officers to lead by example in this respect, observing the seven Principles of Public Life promoted by the Nolan Committee.

The Guildhall School adheres and is subject to the Anti-Fraud and Corruption Strategy of the City Corporation. Employees must report any suspected cases of fraud and corruption to the appropriate manager, or if necessary, direct to the Chief Internal Auditor of the City Corporation.

Governors are required to operate within the requirements of the Standing Orders of the Court of Common Council and the City Corporation's Code of Conduct for Members. These include the requirement to declare at meetings and to register with the Monitoring Officer potential areas of conflict between their City Corporation duties and responsibilities and other areas of their personal and professional lives. As a result of designation, this register has been extended to include the senior management team of the Guildhall School most closely involved in servicing the Board of Governors.

Statement on Internal Control

As part of the City Corporation, the Guildhall School operates within an overall environment that has the identification and management of risk firmly embedded in all its systems and procedures. Central to this approach is the City Corporation's Internal Audit service, which undertakes regular reviews of a wide range of activity throughout the organisation. The annual audit plan for each department of the City Corporation is developed using a risk-based approach, taking account of the key areas of risk identified for the City Corporation as a whole and of specific areas of risk highlighted by the Chief Officers of each City Corporation department. The internal audit plan aims to cover all significant areas

of risk at least once during each five year cycle. Any major risks are reviewed more frequently.

It is the Head of Audit and Risk Management's opinion that, based on the audit work undertaken during 2016-17, the School's systems of risk management, control and governance, and economy, effectiveness and efficiency are generally robust and can be reasonably relied upon to ensure that objectives are achieved.

The finance functions of the School and its neighbour, the Barbican Centre, were merged in February 2007. This has provided the School with a much strengthened ability to manage its finances, improving overall control. In 2011 a restructure of the wider finance function in the City Corporation has meant that the School and Barbican Centre finance functions now report directly into the Chamberlain's office. As a result there are much closer working relations between the different finance teams of the City Corporation.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, a system of delegation and accountability, and independent scrutiny. In particular the system includes:

- comprehensive budget setting and monitoring systems;
- regular reviews of periodic financial reports which indicate financial performance against budgets and forecasts;
- access by all finance staff and appropriate departmental staff to systems providing a suite of enquires and reports to facilitate effective financial management on an ongoing basis;
- clearly defined capital expenditure guidelines;
- formal project management disciplines;
- an in-house internal audit service; and
- scrutiny by Governors, HEFCE, other inspectorates, external audit and other stakeholders;

As a result of designation, the Guildhall School has adopted its own risk management policy to complement that of the City Corporation, and has developed its own comprehensive risk register which is monitored on a regular basis. The risk management policy was approved by the Board of Governors in April 2009 and makes clear that overall responsibility for the control and management of risk rests with the Board. Detailed monitoring and evaluation of risk is delegated to the Audit & Risk Management Committee, which must consider the Guildhall School's risk register at each of its meetings.

The risk register was developed at individual department level within the School, with the information then consolidated into a School-wide register by the Executive Directorate team, and each risk evaluated according to its probability and impact. The register is reviewed and updated by the Executive Directorate team prior to consideration by the Audit & Risk Management Committee at each of its meetings. A crucial part of this process is an evaluation of the effectiveness of management action to mitigate each risk, and risk owners have been identified in order to facilitate this.

In reviewing the register, consideration is given at all times to the School's *Strategic and Operational Plan* and to the risks associated with its delivery. Similarly, risk is considered whenever strategic documents and policies are being developed, and appropriate commentary and management action is included. The Guildhall School's risk register is referred to by the City Corporation's Internal Audit section when updating its five-year rolling audit plan for the School, to ensure that all the key risks in the School's risk register are reviewed as part of the cycle.

The Board has relied on the opinions contained in the annual report received by it from the Audit & Risk Management Committee, which in turn is informed by the annual report and opinion of the City Corporation's Internal Audit section and the external auditors' management letter. Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board acknowledge that it is responsible for ensuring that a sound system of control is maintained, and that it has reviewed the effectiveness of this process.



Deputy John Bennett
Chairman

Date: 27/11/17



Lynne Williams
Principal

Date: 28/11/17

Independent Accountants' report to the Board of Governors of the Guildhall School of Music and Drama

We have inspected the income and expenditure account of the Guildhall School of Music and Drama for the year ended 31 July 2017 which comprises the income and expenditure account and the related notes 1 to 15. The income and expenditure account has been prepared under the accounting policies set out therein.

Our report is prepared, solely for the confidential use of Guildhall School of Music and Drama. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Board's members as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of The Board of Governors and accountants

As described in the statement of the Board of Governors' responsibilities, the Board of Governors is responsible for the preparation of the Income and Expenditure report in accordance with the format outlined in the Statement of Recommended Practice on Accounting for Further and Higher Education (SORP 2015) and other applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

Based on the procedures set out in our engagement letter of 11 September 2014 we report to you whether:

- I. the Income and Expenditure statement has been correctly extracted from the audited accounts of City's Cash for the period 1 August 2016 to 31 March 2017 (8 months) and from its unaudited accounts for the period 1 April 2017 to 31 July 2017 (4 months).
- II. whether, based on our opinion, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the Guildhall School of Music and Drama have been properly applied only for the purposes for which they were received.

We also report if, in our opinion, the Strategic Report is not consistent with the Statement of Comprehensive Income and Expenditure, the underlying accounting records do not agree with the Statement of Comprehensive Income and Expenditure or if we have not received all the information and explanations we require for our opinion.

We read the statement of corporate governance and internal control, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Finding

The financial statements for the year ended 31 July 2017 have been correctly extracted from the audited accounts of City's Cash for the period 1 August 2016 to 31 March 2017 (8 months) and from its unaudited accounts for the period 1 April 2017 to 31 July 2017 (4 months).

Opinion

In our opinion, based on the procedures set out in our engagement letter of 11 September 2014:

- (a) In all material respects, income for the year ended 31 July 2017 from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received.

- (b) In all material respects, income for the year ended 31 July 2017 has been applied, where appropriate, in accordance with the financial memorandum with the Higher Education Funding Council for England effective from 1 August 2010.

Moore Stephens LLP
Chartered Accountants
London
Date

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 JULY 2017

	Notes	Year Ended 31 July 2017 £000	Year Ended 31 July 2016 £000
Income			
Funding Council Grants	2	5,695	1,740
Academic fees and education contracts	3	14,387	13,017
Research grants and contracts	4	233	238
Other Operating Income	5	11,613	10,906
Total Income		31,928	25,901
Expenditure			
Staff Costs	7	17,484	16,049
Other operating expenses	10	12,191	10,427
Total Expenditure		29,675	26,476
Surplus/(Deficit) on continuing operations after depreciation of tangible fixed assets at valuation and tax		2,253	(575)
Deficit for the year met by the City of London Corporation from its City's Cash Fund		0	575
Surplus/(Deficit) for the year		2,253	0

No Statement of Total Recognised Gains and Losses has been prepared on the grounds that there have been no other recognised gains or losses to report.


 Deputy John Bennett
 Chairman


 Lynne Williams

Principal

Date: 27/4/17

NOTES TO THE ACCOUNTS

1. Principal Accounting Policies

The Guildhall School is owned, funded and managed by the City of London Corporation and forms part of the services funded from City's Cash. This is a private fund that is not governed by statute or regulations. The School is a Public Benefit Entity. The following accounting policies have been applied.

a) Basis of Preparation

The School is not itself a legal entity and as such does not produce its own statutory accounts. For this reason, and as agreed with HEFCE, the following statements exclude a balance sheet, cash flow statement and other disclosures usually contained in the financial statements of HEFCE-funded organisations.

The School's Income and Expenditure account has been prepared following the general format of the Statement of Recommended Practice: Accounting for Further and Higher Education 2015. The statement has been prepared under the historic cost convention in accordance with generally accepted United Kingdom accounting policies. The only exception to this is pensions, which have been prepared under FRS 102 as detailed in Note 1f and 11.

b) Recognition of Income and Expenditure

All income and expenditure is recognised in the accounts on an accruals basis. Income is included gross without deduction of expenses.

Income from tuition fees is recognised in the academic year to which it relates and includes all fees chargeable to students or their sponsors. The costs of any fees waived by the School are included as expenditure in Note 10 within Scholarships, Bursaries and Prizes.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned or when conditions attached to their receipt has been met.

Grants received for specific purposes are released to income as the related expenditure is incurred. Unspent grants are treated as deferred income.

Income from UK charities is restricted and recognised when the grant conditions, including incurring expenditure, have been met.

Income receivable from the Funding Council is recognised in line with the latest estimates of grant receivable for an academic year.

c) Agency Funds

Funds received from agencies for disbursement to students have been excluded from income. Similarly, the disbursement of these funds has also been excluded from expenditure. The list of funds received from agencies and disbursed is disclosed in Note 13.

d) Foreign Currencies

Transaction of foreign currencies is recorded using the rate of exchange ruling at the date of the transaction.

e) Balance Sheet

As the Guildhall School of Music & Drama is owned, funded and managed by the City of London Corporation, assets and liabilities relating to the School are consolidated into the City of London Corporation's City's Cash balance sheet.

f) Pension schemes

The City of London Corporation's Pension Scheme is a funded defined benefits scheme. City of London Corporation staff are eligible for membership of the pension scheme. Details of the pension scheme are disclosed in Note 11 in accordance with FRS 102.

g) Capital Expenditure

The School operates a rolling programme of planned capital expenditure covering substantial works to the School's premises and acquisition of major items of equipment. The cost of these approved capital projects is met directly by the City Corporation's City's Cash and is not accounted for within the financial statements of the School. The cost of smaller items of equipment, and any associated grant income, is recognised in the income and expenditure account in the year it is incurred.

h) Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

i) Taxation

As the Guildhall School is part of the City of London Corporation, and not a separate legal entity, it shares the same tax status as the City Corporation which is exempt from Income and Corporation Tax.

j) Provisions

Provisions are recognised when the School has a present legal or constructive obligation as a result of a past event, 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 amount of the obligation as at the balance sheet date.

2. Funding Council Grants

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
Basic Teaching Grant	4,902	854
Higher Education Innovation Fund – Round 4	390	398
Catalyst Fund	0	150
Teaching Capital Investment Fund	85	33
Quality Research Grant	318	305
Total	5,695	1,740

3. Academic fees and education contracts

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
UK Students – Tuition fees	6,228	5,798
EU Students – Tuition fees	1,581	1,510
Overseas Students – Tuition fees	2,750	2,360
Summer Schools – Tuition fees	211	160
Part-time non award bearing courses – Tuition fees	669	473
Junior School – Tuition fees	1,343	1,324
Centre for Young Musicians – Tuition fees	1,260	1,060
Examination fees	8	5
Audition fees	337	327
Total	14,387	13,017

4. Research grants and contracts

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
UK based charities	73	77
Other grants and contracts	160	161
Total	233	238

5. Other Operating Income

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
Residencies, catering and conferences	1,593	1,363
Other income generating activities	587	400
Other income	1,359	901
City of London Corporation support:		
An annual cash limited contribution towards net operating costs	6,249	6,611
Reimbursement of administrative and central service costs attributed to the School as shown in note 10	972	1,158
Funding of major repairs and maintenance projects	852	473
Total	11,612	10,906

6. Staff Numbers

The average number of persons (including senior post holders employed by the Guildhall School of Music & Drama) during the year expressed as full-time equivalents was:

	Year Ended 31 July 2017	Year Ended 31 July 2016
	FTE	FTE
Teaching departments	151	138
Teaching support services	3	3
Administration and central services	127	123
Total	281	264

7. Employee Benefits

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
Wages and salaries	14,075	13,168
Employer's N.I	1,218	966
Pension contributions	2,183	1,891
Sub total - Staff costs	17,476	16,025
Benefits in kind	8	24
Total	17,484	16,049

8. Senior Employee Benefits

The Principal's emoluments included in note 7 are made up as follows:

	Barry Ife to 31/1/17	Lynne Williams from 30/1/17	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000	£000	£000
Salaries	58	83	141	124
Employer's N.I	7	11	18	16
Benefits in kind	8	0	8	24
Pension contributions	0	16	16	0
Total	73	110	183	164

9. Total employee benefits in excess of £100,000

The number of staff excluding the Principal whose total employee benefits (including taxable benefits but excluding employer's pension contribution) in excess of £100,000 in the following ranges was:

	Year Ended 31 July 17	Year Ended 31 July 16
No. of staff paid between £130,001 and £140,000	1	1
No. of staff paid between £120,001 and £130,000	2	1
No. of staff paid between £110,001 and £120,000	0	0
No. of staff paid between £100,001 and £110,000	0	1
Total	3	3

10. Other Operating Expenses

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
Administration & Central Services	1,356	1,176
Administration & Central Services met by the City of London Corporation ¹	972	1,158
Bank charges & Legal Fees	65	68
Catering	167	207
Contracted-out Lecturing Services	740	1,177
Equipment	561	388
Information Technology	230	203
Non teaching – fees	1,128	652
Premises	4,488	3,842

¹ City of London Corporation central department costs attributed to the School relating to financial, legal, secretarial, human resources and building services together with various insurances.

Publicity	43	67
Scholarships, Bursaries & Prizes	2,059	1,049
Student support (Library, Student Placement expenses and Student Union subsidy)	271	288
Subscriptions	85	127
Training & development	26	25
Total	12,191	10,427

11. Pensions

The Guildhall School of Music & Drama is owned by the City of London Corporation and the employees of the School are also employees of the City of London Corporation. As such they are eligible for membership of the City of London Corporation Pension Scheme (the "Scheme").

The Scheme is operated under the regulatory framework for the Local Government Pension Scheme with policy determined in accordance with the Pension Fund Regulations. It is a funded defined benefit final salary scheme, meaning that the employers and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

The City Corporation administers the Scheme on behalf of its participating employers. The City Corporation's Establishment Committee is responsible for personnel and administration matters, whilst its Financial Investment Board is responsible for appointing fund managers and monitoring performance. The principal risks to the authority of the scheme are the mortality rate assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

The Guildhall School does not have an exclusive relationship with the Scheme, neither is the portion of the Scheme that relates to City of London employee members engaged on Guildhall School activities separately identifiable. Consequently, in accordance with FRS 102, the pension arrangements are treated as a defined contribution scheme in the Guildhall School accounts. This means that the FRS 102 surplus or deficit on the Scheme is not included in the Guildhall School accounts.

The full actuarial valuation of the defined benefit scheme was updated to 31 March 2017 by an independent qualified actuary in accordance with IAS19. As required by IAS19, the defined benefit liabilities have been measured using the projected unit method. The valuation has been completed under IFRS, in line with the City Fund requirements, rather than under FRS102, with the differences considered not to be materially incorrect.

As an employer the City of London Corporation's share of the deficit on the Pension Fund at 31 March 2017 is £597.9 million (31 March 2016: £482.7m).

12. Debtors

As stated previously, the School's assets and liabilities are consolidated into the City of London Corporation's City's Cash balance sheet. The total outstanding Tuition Fees and Bursaries for the Guildhall School of Music & Drama as at 31 July 2017 were £84,727 (31 July 2016: £54,676).

13. Grants Received and Disbursed – Excluded from Income & Expenditure calculations

	Awarded/Received for disbursement £000	Disbursed £000	No. of students awarded funds
Erasmus	7	7	4
Total	7	7	4

14. Capital Expenditure

Capital expenditure totalling £397,402 was incurred during the period. This was mainly related to IT project costs in Sundial Court, staff costs and Milton Court Specialist Equipment cost.

15. Related Party Transactions

Elected Members of the City of London Corporation are represented on the Board of Governors of the Guildhall School of Music & Drama. A full list of Governors who served on the Board during the year 1st August 2016 to 31st July 2017 is given at the beginning of this document. The City of London Corporation provides administration and central services to the School. The costs incurred by the City of London Corporation in providing these services are charged to the School.

Members of the Board of Governors responsible for managing the School are required to comply with the Relevant Authority (model code of conduct) Order 2001 issued under the Local Government Act 2000 and the City of London Corporation's guidelines which require that:

- Members sign a declaration agreeing to abide by the City of London Corporation's code of conduct;
- A register of interest is maintained;
- Personal, prejudicial, pecuniary and non-pecuniary interests are declared during meetings; and
- Members do not participate in decisions where they have an interest.

There are corresponding arrangements for staff to recognise interests and avoid possible conflicts of those interests. In this way, as a matter of policy and procedure, the School ensures that Members and Officers do not exercise control over decisions in which they have an interest.

There are no material transactions with organisations related by virtue of Members and officers interests which require separate reporting. Transactions are undertaken by the School on a normal commercial basis.

The Guildhall School Trust, a registered charity independent of the School, exists solely to support the School's students. A number of members of the School Board are also trustees of the Guildhall School Trust. During the academic year 2016/17 the School received £1,632,000 (2015/16- £1,105,626) from the Trust for scholarships for tuition fees and bursaries for maintenance.

