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| Committee(s): | Date(s): |
| Efficiency and Performance Sub (Finance) Committee | 12 July 2012 |
| Subject: Guildhall School of Music and Drama - Update | Public |
| Report of: Chamberlain | For Information |
| <p><u>Summary</u></p> <p>At the last meeting members asked for an update on the overall financial position of the School including an update on fundraising activities for the new Milton Court building</p> <p>Recommendation</p> <p>That Members receive this update.</p> | |

Main Report

Background

1. At its 23rd May 2011 meeting, members asked for an update on the overall position of the School, including an update on the fundraising activities for the new Milton Court building. This report provides that update.

Financial Position

2. The provisional outturn for 2011/12 was reported to the May meeting of the Finance Committee; net expenditure of £5.3m is forecast, against a budget of £5.0m – a net overspend of £0.3m.
3. Looking forward, the School is presently submitting its forecasts, on an academic year basis to HEFCE. These forecasts are:

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| 2012/13 | -deficit of £120,000 |
| 2013/14 | - deficit of £489,000 |
| 2014/15 | - deficit of £7,000 |
| 2015/16 | - surplus of £488,000 |
4. These projections are as has been anticipated for some time. Essentially it was always going to take some time for the additional revenue from student fees to

cover the loss of HEFCE grant. However it should be noted that the above figures include the £150,000 internal loan repayments currently required.

5. Although a surplus is forecast from 2015/16, officers are discussing a proposal for a capital investment, in the order of £2m, to allow the School to develop a more sustainable business model. Essentially this investment would
 - Ensure a more competitive approach to excellent teaching
 - Improve fundraising capacity
 - Build capacity for overseas recruitment
 - Strengthen the School brand
6. This is an opportune time to consider such an investment, with the opening of the new Milton Court building and with the School's academic reputation at a particular high – the School is Britain's number one specialist university in the Guardian rankings.

Milton Court

7. To date the build has been going well and the School is closely engaged with the developer, Heron, in the School's development design. I act as overall officer lead on the project and overall coordination is going well. We are anticipating a facility built to the highest standards
8. Construction of the School's part of Milton Court is largely complete with the focus now very much on internal fit-out including mechanical and electrical (M&E) services and specialist equipment. Numerous detailed design and coordination issues continue to be raised and are being dealt with on a daily basis, largely in the area of M&E services.
9. However, the project has fallen behind schedule. Sir Robert McAlpine currently report being five weeks behind programme on the School's part of the building. Such a delay would be disappointing and we are concerned that mitigation measures are put in place to address this delay and prevent any further delay.
10. If the current programme delay is not significantly improved, it will become necessary to re-visit the School's moving-in time table. The existing plan is that acting and technical theatre staff and students would be relocated during the Easter vacation of 2013, ready to start using the building for the summer term. This will be very difficult to achieve if practical completion is delayed by five weeks, but equally it is hard to relocate staff and students during term time because of their teaching schedules. A range of alternative scenarios are being examined.

11. With regard to fundraising, the latest estimated costs for the specialist equipment packages, to be paid for from the School's capital fundraising campaign, now stand at £10.887m excluding VAT. This compares to original estimates of £11.919m. This reduction largely arises from lower costs for certain aspects of the security package.
12. These costs are still subject to further change, as the detail of the works is examined and further refined. Additional adjustments are certainly likely in the packages for specialist and technical equipment and for general furniture, fittings and equipment.
13. There is a team in place for fund raising campaign, steered by a campaign board. At present the fundraising stands at just over £6.1m.

Conclusion

14. Overall, the School is in a better place financially than it has been for some time. However the changes in Higher Education funding plus the impact of Milton Court are challenging and there is case for investment to take advantage of the position that has been created and deliver a step change in the School's finances.

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