Committee	Dated:
Board of Governors of the Guildhall School of Music & Drama	19 February 2018
Subject: Annual Efficiency Return 2016/17	**Public**
Report of: Principal	**For Decision**

Summary

As part of its statutory requirements to the Higher Education Funding Council (HEFCE), the School is required to submit an Annual Efficiency Return.

This is a mandatory return, replacing the voluntary Economy, Efficiency and Effectiveness (Value for Money).

Recommendations

The Board is recommended to approve the Annual Efficiency Return.

<u>Main Report</u>

1. The report looks to capture institutional activities that delivered new efficiencies in the 2016-17 academic year (in comparison with 2015-16).

2. Efficiencies are characterised as follows:

- **<u>Cash-releasing efficiencies</u>**

  These are achieved by delivering the same level of activity (or more, or better) at a reduced cost. This means that the outputs and outcomes of an activity have been at least maintained, while the cost (in terms of goods, services and staff) has reduced. Cash-releasing efficiencies release financial resources to be used to provide more, better or other activities. The cash value of these efficiencies is simply the amount of cash released.

- **<u>Resource-releasing efficiencies</u>**

  These are achieved by delivering the same level of activity (or more, or better) with fewer resources that cannot easily be exchanged for cash (such as space or staff time). This means that the outputs and outcomes of an activity have been at least maintained while the resources used (in terms of space or staff time) have reduced. These efficiencies release resources to be used to provide more, better or other activities. No cash is released. However, resource-releasing efficiencies can be given a cash value by calculating the notional cost of the resources that have been released.

- **<u>Additional productivity gains</u> <u>('additional' in the sense that they are efficiencies other than cash - or resource - releasing)</u>**

  These are achieved by using the same amount of resources at the same cost to deliver more of an activity. This means the outputs of the activity have increased but the resources used, and the cost incurred, have stayed the same. Additional productivity gains do not release cash or other resources but are an efficiency because more output is being produced. These gains can be given a cash value by calculating the notional cost of the additional output prior to the productivity gain being realised.

3. For cash-releasing efficiencies, resource-releasing efficiencies and additional productivity gains to be reported, they must be new and recurrent:

   a. **<u>New</u>** means that the efficiency has been realised in the reporting year (2016-17) and that the reported gain is measured relative to the previous year (2015-16).

   b. **<u>Recurrent</u>** means the efficiency will be maintained in future years relative to the original baseline year.

4. Reporting new, recurrent efficiencies means that, although such efficiencies will continue into the future, they will only be recorded in the first year in which they are realised. The cash values reported will therefore reflect the progress made over the year in improving efficiency.

5. Reporting new, recurrent efficiencies also means that it is difficult to determine what proportion of one-off development costs should be deducted for the reporting year, given that their benefits will be maintained indefinitely. For the purposes of this return, we need to provide gross, annualised cash value of recurrent efficiencies and it is not necessary to offset this with associated development costs.

- **<u>Capital receipt efficiencies</u>**

  These are achieved when a redundant asset is sold without significantly affecting activities. This means that the asset is no longer required and disposing of it will not cause outputs or outcomes to decrease significantly. The cash value of these efficiencies is the income received from the sale, net of the costs of disposal.

  Capital receipts are one-off efficiencies, counted in the year in which the receipt is banked, which is why disposal costs should be deducted. Capital receipt efficiencies may also generate quantifiable recurring cash - or resource - releasing efficiencies from, for example, reduced maintenance costs or estate staff time.

Conclusion

6. Our return for the 2016/17 academic year is attached to this document. This report will be presented to the Board on an annual basis to demonstrate the new efficiencies that the School have delivered in that year.

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