



Reports and Financial
Statements
for the year ended 31
July 2012

Contents

List of Governors	2
Operations and Finance Review	3
Statement of Corporate Governance and Internal Control	9
Independent Accountants' report to the Board of Governors of the Guildhall School of Music & Drama	14
Income and Expenditure Account	15
Notes	16

Guildhall School of Music & Drama

MEMBERS OF THE BOARD OF GOVERNORS

who served during the year

Common Council Members

Tom Hoffman (Chairman until April 2012)
Alderman David Graves (Deputy Chairman until April 2012, Chairman from April 2012)
Deputy John Bennett (Deputy Chairman from April 2012)
Deputy Michael Welbank (until April 2012)
John Chapman
Deputy Stella Currie
Deputy Wendy Mead
Deputy Richard Regan
Jeremy Simons
Alderman David Wootton
Alderman Fiona Woolf
Deputy John Barker (from April 2012)
Ann Pembroke (from April 2012)

Principal of the Institution

Professor Barry Ife, CBE FKC HonFRAM as Principal of the Guildhall School of Music & Drama

Institution's Staff Members

Katharine Lewis elected by the Administrative Staff
Pamela Lidiard elected by the Academic Staff

Institution's Student Representative

Josh Chapman as President of the Students' Union

Co-opted Governors

Sir Andrew Burns (from 17 May 2010, *first term*)
Daniel Evans (from 17 May 2010, *first term*)
Christina Coker (from 9 November 2009, *first term*)
Neil Constable (from 1 February 2011, *second term*)
Paul Hughes (from 1 June 2010, *second term*)
Kathryn McDowell (from 1 June 2010, *second term*)

Advisory Members

Catherine McGuinness as *Chairman of the Barbican Centre Board*
John Scott as *Chairman of the Culture, Heritage & Libraries Committee (from 19 May 2011)*
Nicy Roberts *representing Centre for Young Musicians (from November 2009 for an initial term of 3 years)*

Officers of the Board of Governors

Clerk to the Governors: Chris Duffield
Town Clerk & Chief Executive, City of London Corporation

AUDITORS

Deloitte LLP, London North
2 Victoria Square, Victoria Street, St Albans, Hertfordshire
AL1 3TF

BANKERS

Lloyds Bank TSB Plc, PO Box 72, Bailey Drive, Gillingham
ME8 0L6

OPERATIONS AND FINANCE REVIEW

The Guildhall School of Music & Drama is distinctive in being the only major European institution which is both a music conservatoire and a drama school, and one which is also pre-eminent in stage management and technical theatre, professional development, community outreach and music therapy.

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 the Higher Education Funding Council for England (HEFCE), together with Higher Education Innovation funding for its third-stream activity and, from 2009, a modest Quality Research grant, following a successful first entry to the Research Assessment Exercise 2008.

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 the Barbican campus 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, a registered charity. A new trust, called the Guildhall Development Fund, has been approved by the Charities Commission and became operational in September 2009. The purpose of the Fund is to raise income to equip the new Milton Court building to the highest professional standards.

The School also has an important programme of opportunities for young people at primary and secondary level from ages 4 to 18. Junior Guildhall has some 400 talented young students, many of whom go on to further study at university and conservatoire level, and in September 2009 the School completed the transfer of the Centre for Young Musicians (CYM) from Westminster City Council, bringing another 2040 young people from 24 London boroughs into the Guildhall family together with the London Schools' Symphony Orchestra (LSSO). Taken together, the Guildhall School is now the largest provider of specialist music education in the UK.

For over 25 years, the Guildhall School, through its Connect programme, has been a national leader in informal and non-formal training. Connect developed an artistic and educational identity that resonates with young people from a wide range of backgrounds, ages and experience. Its inclusive approach embraces everything from classical to popular music, western and non-western genres, set repertoires, as well as new works created through collaborative workshops which often involve other arts disciplines. Connect won a Queen's Anniversary Prize in 2005.

In October 2009, a Creative Learning Division was formed bringing together the work of Connect, and the Guildhall's professional Development Department with the neighbouring Barbican Centre's Education Department. The Creative Learning Division works across the artforms and provides opportunities at every level, from first engagement with the arts, through sustained projects to supporting and developing emerging artists. Creative Learning projects involve at least 3,000 young people from the City and East London Boroughs working with Guildhall School staff and students each year. This number increases considerably when taking the School's national and international projects into consideration.

In 2011/12 the total student population, as at the Higher Education Students Early Statistics Survey census date, was 777 (2010/11, 833.5) full time equivalents (fte), of which 172.5 (2010/11, 167.5) were in drama (acting and technical theatre) and the remainder in music (385 (2010/11, 402) undergraduate and 219.5 (2010/11, 264) postgraduate). The total student population included 19.5 (2010/11, 17.5) fte on non-HEFCE-funded programmes (Associate of the Guildhall School and Advanced Certificate), 6 (2010/11, 10) fte on the joint Doctorate of Musical Arts research programme with City University. In addition there were 40 (2010/11, 52) junior fellows. Fifty-five (2010/11, 53) countries were represented in the student body, with 290 students (37.3%) (2010/11, 306 (36.7%)) from outside the UK, of which 110(14.2%) (2010/11, 122 (14.6%)) were from outside the EU.

Of the 134 first-degree graduates in 2011/12 (2010/11, 125), 39 (29.1%) (2010/11, 29 (23.2%)) were awarded first class honours and 85 (63.4%) (2010/11, 79 (63.2%)) were awarded upper second class honours.

During the 2011/2012 season the School mounted an excellent programme of drama and opera productions on the main stage, including *The Women* by Clare Boothe Luce,*think only this of me...* a devised collaboration by Guildhall School actors and musicians, *Les Liaisons Dangereuses* by Christopher Hampton from the novel by Choderlos de Laclos, *Nicholas Nickleby Part I* by Charles Dickens, *Die Lustigen Weiber von Windsor* by Nicolai, *Our Town* by Ned Rorem and *Chaplin* based on the book by Ernest Kiney with music by Roger Andersden and lyrics by Lee Goldsmith.

The School also continued its association with the Bridewell Theatre in Fleet Street, where it staged *Aces & Jacks*, a series of short plays by David Mamet, and *Jenufa* by Gabriela Preissová.

The School also used The Albany in Deptford where it staged *Lysistrata* by Aristophanes.

For the first time, the School performed on the main stage in the Barbican with *A Midsummer Night's Dream* by Britten. One of the performances was streamed live for the European project 'Euroclassical'.

The School's orchestral programme had a particularly strong year following the establishment of Centre for Orchestra with the support of the HEFCE SDF grant. This initiative has established the basis of a unique training and mentoring programme for orchestral musicians, including sectional coaching by LSO principals for the Guildhall Symphony Orchestra. Performances included Stravinsky's *The Rite of Spring* conducted by Adrian Leaper, a Ravel and Mussorgsky programme conducted by Diego Masson in the Barbican Hall and a MacMillan, Britten and Prokofiev programme conducted by James MacMillan.

The School continued its association with the BBC Symphony Orchestra through the Total Immersion series, which this year featured music by Jonathan Harvey (*Tranquil Abiding, Songs of Li Po, Vers, Tombeau de Messiaen, Calling Across Time*), works by three Guildhall composers: Jason Anderson, Ben Graves and Peter Yarde-Martin (all performed by BBC Symphony Orchestra and the Guildhall School), Brett Dean (*Polysomnography, Wolf-Lieder, Voices of Angels*) and Arvo Pärt (*Magnificat, Nunc Dimittis, Für Alina, Spiegel im Spiegel, Stabat Mater*). Guildhall musicians also contributed twelve lunchtime concerts to the City of London Festival and took part in the London Jazz Festival.

The School also staged ten further concerts in the series *Guildhall Artists at the Barbican* in which senior Guildhall musicians stage performances at 6.00 pm of the repertoire related to an LSO concert later that evening. Repertoire included music by Benjamin Britten, Beethoven, Shostakovich, Tchaikovsky, Debussy, Caplet, Berg, Bernstein and Copland songs, piano works by Rachmaninov and Brahms, songs by Mahler, Mozart Sonatas for Violin and Piano, and Ravel's Piano Trio.

In the School's Music Hall, Graham Johnson once more directed the School's autumn recital series. This year the series focussed on song cycles. Johnson directed and introduced some of the most well known cycles by Schubert, Schumann and a short Tour de France (Fauré, Debussy and Poulenc), and again introduced the series with a lecture recital. Iain Burnside directed *A Soldier and a Maker* to great critical acclaim, combining Ivor Gurney's songs, poems and letters with freshly created material to create a full length theatre work. Eight performances were given in the Pit and this piece also went to the Cheltenham Festival.

The 2012 Gold Medal was won by pianist Ashley Frupp with an exciting performance of Liszt's *Totentanz – Danse Macabre*; 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 pianist Mihkel Poll and the Junior Guildhall Lutine Prize was won by saxophone player Stephanie Lai.

Milton Court and the Barbican Campus

The School's long-term ambition to build a state-of-the-art suite of performance and teaching facilities at Milton Court finally came to fruition in 2010. The second stage of demolition resumed in January, a construction contract was let to Sir Robert MacAlpine in the late spring and construction started in earnest on 5 July. The programme is 141 weeks to practical completion early in 2013. The School expects to open the new building fully for the start of the 2013/14 academic year. Detailed planning has also started

on the subsequent refurbishment and reorganisation of the Silk St building for music, once acting and technical theatre have been moved to Milton Court.

Milton Court is a redundant brown-field site at the eastern end of Silk St. Planning permission was granted in November 2007 for a composite development which will give the School much-needed additional premises. Facilities will include a concert hall (609 seats), a second theatre (225 seats), an accessible studio theatre (80-128 seats, depending on configuration), all with appropriate back of house support; three rehearsal rooms and a gymnasium; three large teaching rooms (one of which will double as a TV studio); and office and workshop accommodation for the departments of acting and technical theatre. All facilities have been designed and planned to be complementary to the other venues at the School, the Barbican Centre and LSO St Luke's.

The new building is to be funded under a section 106 planning agreement between the City of London Corporation and Heron International who will build 284 apartments as part of a hybrid development. The cost of the School's new accommodation will be £89m, of which Heron will pay the major part of the construction cost (£47m). The City of London Corporation has contributed the notional site value of £18m and will pay the balance of the construction cost (£10.5m), while the School has a fund-raising challenge of £13.5m to equip the spaces to the highest professional standards.

The project was put on hold through 2009 as a result of the recession, but the successful marketing of the residential apartments in the spring of 2010 has meant that many of the financial and other risks associated with the project have been removed or considerably downgraded.

Milton Court has always been viewed as a major catalyst for the development of the Barbican Campus concept, subsequently branded as the Cultural Quarter. The delay to Milton Court has, however, not prevented considerable progress on developing the most extensive range of shared services yet achieved in the HE sector, between the School and the Barbican. All of the School's generic (ie non-HE-specific) services are now provided by a conjoint operation led by a shared Chief Operating and Financial Officer who reports to the Principal and the Managing Director of the Barbican. HE-specific services are provided by a single Student and Corporate Services directorate organised around the student life cycle.

The School's joint Creative Learning Division with the Barbican Centre offers unique performing, creative and leadership opportunities to students, graduates and young people (including participants from Junior Guildhall and Centre for Young Musicians) in a variety of participatory settings. This occurs through modules and electives it delivers as part of the undergraduate and postgraduate curriculum, and through opportunities arising outside of the curriculum.

Visiting artists work with students in masterclasses and creative projects - in 2011/2012 this has included players from the Barbican's International Associates Leipzig Gewandhaus, Royal Concertgebouw and Jazz at Lincoln Center. Also, Students and Graduates regularly appear in the Barbican's programme - in the last season music students joined the professional ensemble for *Survivor* - a major work by Hofesh Schechter and Anthony Gormley, and the graduate MAP/Making collective produced a site specific performance within the Cultural Quarter in response to the Barbican Gallery exhibition OMA:Progress. Students also took part in the Barbican's Urban Stories Weekender - a festival which attracted over 4,000 people to the Barbican and showcased work developed by students with community members including schools, refugees and older people.

The work of the Creative Learning division is at the heart of the school's Widening Participation agenda. Central to this is our strong relationship with the Music Hubs and other delivery organisations in the City's neighbouring East London Boroughs. Creative Learning offers first access to the arts, as well as sustained projects both within and outside of schools. This includes music ensembles across a variety of genres and creative theatre projects. These activities can provide young people with pathways into the wider offer of the Guildhall School.

Creative Learning also leads a wide range of professional development activity across artforms. A key part of this is the School's and Barbican's role as a pathfinder in the Paul Hamlyn Foundation funded special initiative ArtWorks, a programme which is focussed on Developing Practice for artists working as leaders in Participatory Settings.

A fourth annual report on the Barbican Campus strategic development was submitted to HEFCE in

November 2012.

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 City of London Corporation funds deficits that may occur at the School, thus mitigating risks to HEFCE.

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 financial accounts presented here have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP 2007) and other relevant Accounting Standards in so far as they are relevant to the School in the context above.

Financial Results for the year

In a financially challenging year a deficit of £76k (a slight increase from the £58k deficit in 2010/11) was an achievement.

The main variance on both income and expenditure from 2010/11 to 2011/12 was the HEFCE Voluntary giving grant which has increased by £1.2m.

Scholarships

The School, in partnership with the Guildhall School Trust (a registered charity independent of the School, which exists solely to support the School's students), provided scholarships for tuition fees and bursaries for maintenance as well as prizes totalling £1,272,392 in the academic year 2011/12.

Of this total, the Guildhall School Trust awarded £800,713 which was made possible through the generosity of a number of benefactors. The balance was awarded directly by the City of London.

Capital works

The City of London provided a second five year programme (commencing 2009/10) of £9.3m to refurbish and improve the existing buildings and services. It incorporates projects to uplift the facilities for teaching and learning and contribute to the School's long term objectives. The position on the development of new facilities at Milton Court is outlined elsewhere in this document.

Conclusion

2011/12 was a year of continued high artistic achievement in a context of severe financial challenges. The Browne Review and subsequent White Paper have meant that a great deal of management time has been spent analysing the likely impacts of changing government policy and developing strategies for coping with future uncertainty. The government's fees strategy and its contestability agenda mean that the next few years will be exceptionally difficult for specialist providers and their students. The School will need to find ways of ensuring that it does not become over-reliant on fee income alone.

By the time Milton Court is open in 2013, the Guildhall School will have further established itself as a distinctive, world-class organisation working closely with its industry partners to provide the highest level of training and preparation for our students, and bringing the maximum benefit to audiences and society at large. Progress with the Barbican Campus partnership and the Centre for Young Musicians is making the Guildhall School a major player in performing arts training and education in the UK and world-wide.

The School looks forward to playing a leading role in the implementation of the government's National Music Plan and is working with music services outside London to ensure that as many young people as possible have a high quality experience of music making.

Professor Barry Ife CBE FKC HonFRAM
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 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 stand as independent members and 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 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 (ex-officio)
- 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)
- one Centre for Young Musicians representative, for an initial term of three years from 2009 (advisory)
- the Chairman of the Barbican Centre Board (advisory)

- the Chairman of the Culture, Heritage & Libraries Committee (advisory)
- up to six co-opted non-City Corporation Governors with appropriate expertise for a term of three years (renewable twice)

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 2011 to 31 July 2012 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 is 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

In common with all the committees of the City Corporation, the Board operates to Terms of Reference, which are approved by the Court of Common Council each April. 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.

Except where otherwise noted in this statement, the Board of Governors also complies with the Guide for Members of Higher Education Governing Bodies in the UK – Governance Code of Practice and General Principles, published by the Committee of University Chairmen (the CUC Code).

Following designation, 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, direction and management. He is supported in his work by an Executive Directorate team, which meets weekly.

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 officers 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.

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 Chamberlains 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.
- scrutiny by Members, 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 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 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 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.

.....
Alderman David Graves
Chairman

.....
Professor Barry Ife CBE FKC HonFRAM
Principal

Date:.....

Date:.....

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 2012 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 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 22nd August 2012 we report to you our opinion as to whether the Income and Expenditure statement has been correctly extracted from the audited accounts of City's Cash for the period 1 August 2011 to 31 March 2012 (8months) and from its unaudited accounts for the period 1 April 2012 to 31 July 2012 (4months). We also report whether, 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 Operations and Finance Review is not consistent with the Income and Expenditure account, the underlying accounting records do not agree with the Income and Expenditure account 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.

Opinion

In our opinion, based on the procedures set out in our engagement letter of 22nd August 2012:

- (a) The financial statements for the year ended 31 July 2012 have been correctly extracted from the audited accounts of City's Cash for the period 1 August 2011 to 31 March 2012 (8 months) and from its unaudited accounts for the period 1 April 2012 to 31 July 2012 (4 months).
- (b) In all material respects, income for the year ended 31 July 2012 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.
- (c) In all material respects, income for the year ended 31 July 2012 has been applied, where appropriate, in accordance with the financial memorandum with the Higher Education Funding Council for England effective from 1 August 2010.

.....
Deloitte LLP
Chartered Accountants
St Albans

Date.....

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2012

	Notes	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Income			
Funding Council Grants	2	5,021	3,974
Academic fees and education contracts	3	6,901	6,757
Research grants and contracts	4	164	228
Other Operating Income	5	8,010	7,886
Total Income		20,096	18,845
Expenditure			
Staff Costs	7	11,727	11,453
Other operating expenses	10	8,445	7,450
Total Expenditure		20,172	18,903
Surplus/(Deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before tax		(76)	(58)
Taxation		0	0
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and tax		(76)	(58)
Deficit for the year met by the City of London Corporation from its City's Cash Fund	1K	76	58
Surplus/(Deficit) for the year		0	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.

.....
Alderman David Graves
 Chairman

.....
Professor Barry Ife CBE FKC HonFRAM
 Principal

Date:.....

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 following accounting policies have been applied.

a) Basis of Preparation

As the Guildhall School is part of the City of London Corporation, and not a separate legal entity, only an Income and Expenditure account has been prepared following the general format of the Statement of Recommended Practice: Accounting for Further and Higher Education 2007. The statement has been prepared under the historic cost convention in accordance with generally accepted United Kingdom accounting policies.

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, all assets and liabilities relating to the School are consolidated into the City of London Corporation's City's Cash balance sheet.

Guildhall School of Music & Drama

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 IAS 19.

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 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.

k) Surplus (Deficit) on Continuing Operations before Tax

Each year the City of London Corporation approves the budget for the Guildhall School of Music & Drama including the budgeted level of support to be provided from the City Corporation's City's Cash. This budgeted level of support is included within operating income. The amount shown under surplus / (deficit) on continuing operations before tax reflects the extent to which the School is within (or exceeds) the City Corporation's budgeted level of support.

2. Funding Council Grants	Year Ended 31 July 2012	Year Ended 31 July 2011
	£000	£000
Basic Teaching Grant	2,137	2,238
Higher Education Innovation Fund – Round 4	305	250
Widening Participation	204	197
Strategic Development Fund	453	450
Teaching Capital Investment Fund	12	113
Quality Research Grant	240	249
Voluntary Giving Grant	1,670	477
Total	5,021	3,974

3. Academic fees and education contracts	Year Ended 31 July 2012	Year Ended 31 July 2011
	£000	£000
UK Students – Tuition fees	2,217	2,382
EU Students – Tuition fees	738	736
Overseas Students – Tuition fees	1,184	1,336
Summer Schools – Tuition fees	474	195
Part-time non award bearing courses – Tuition fees	147	115
Junior School – Tuition fees	1,023	940
Centre for Young Musicians – Tuition fees	894	812
Examination fees	6	2
Audition fees	218	239
Total	6,901	6,757

4. Research grants and contracts	Year Ended 31 July 2012	Year Ended 31 July 2011
	£000	£000
UK based charities	27	48
Other grants and contracts	137	180
Total	164	228

Guildhall School of Music & Drama

NOTES TO THE ACCOUNTS

5. **Other Operating Income**

	Year Ended 31 July 2012	Year Ended 31 July 2011
--	----------------------------	----------------------------

	£000	£000
Residencies, catering and conferences	1,203	990
Other income generating activities	136	133
Other income	422	385
City of London Corporation support:		
An annual cash limited contribution towards net operating costs	5,377	5,535
Reimbursement of administrative and central service costs attributed to the School as shown in note 10	286	494
Funding of major repairs and maintenance projects	586	349
Total	8,010	7,886

6. **Staff Numbers**

	Year Ended 31 July 2012	Year Ended 31 July 2011
--	----------------------------	----------------------------

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:

	<u>FTE</u>	<u>FTE</u>
Teaching departments	101	107
Teaching support services	25	27
Administration and central services	72	73
Total	198	207

7. **Staff costs for the above persons**

	Year Ended 31 July 2012	Year Ended 31 July 2011
--	----------------------------	----------------------------

	£000	£000
Wages and salaries	9,682	9,305
Employer's N.I	697	689
Pension contributions	1,329	1,441
Sub total – Staff costs	11,708	11,435
Benefits in kind	19	18
Total	11,727	11,453

Guildhall School of Music & Drama

NOTES TO THE ACCOUNTS

8. Senior Staff Costs

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

	Year Ended 31 July 2012	Year Ended 31 July 2011
	£000	£000
Salaries	130	131
Employer's N.I	16	15
Benefits in kind	19	18
Pension contributions	15	24
Total	180	188

9. The number of staff excluding the Principal who received emoluments (including taxable benefits but excluding employer's pension contribution) in excess of £100,000 in the following ranges was:

	Year Ended 31 July 2012	Year Ended 31 July 2011
No. of staff paid between £130,001 and £140,000	1	1
No. of staff paid between £110,001 and £120,000	1	1
Total	2	2

10. Other Operating Expenses

	Year Ended 31 July 2012	Year Ended 31 July 2011
	£000	£000
Administration & Central Services	704	810
Administration & Central Services met by the City of London Corporation ¹	286	494
Bank charges & Legal Fees	15	17
Catering	156	150
Contracted-out Lecturing Services	681	1,078
Development Fund	1,670	477
Equipment	192	329
Information Technology	215	254
Non teaching – fees	860	867
Premises	2,425	2,153
Publicity	52	31
Scholarships, Bursaries & Prizes	754	401
Student support (Library, Student Placement expenses and Student Union subsidy)	283	201
Subscriptions	120	129
Training & development	32	59
Total	8,445	7,450

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.

Guildhall School of Music & Drama

NOTES TO THE ACCOUNTS

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 pension scheme.

The Guildhall School does not have an exclusive relationship with the City of London Pension Fund, neither is the portion of the Pension Fund that relates to City of London employee members engaged on Guildhall School activities separately identifiable. Consequently, in accordance with IAS 19, the pension arrangements are treated as a defined contribution scheme in the Guildhall School accounts. This means that the IAS 19 surplus or deficit on the Pension Fund is not included in the Guildhall School accounts.

In accordance with statutory regulations, a triennial valuation of the pension fund as at 31st March 2010 was completed by independent consulting actuaries. The valuation revealed that the level of funding of the past service liabilities had decreased by 1 percentage point to 86% (from 87% in 2007). Following this valuation the regular contribution rates to be applied for the financial years ending 31st March 2012, 2013 and 2014 were agreed at 17.5%.

In the year ending 31st July 2012 the total employer's contributions to the scheme for staff engaged on Guildhall School activities was £1.3 million (2010/11: £1.4 million). There are no outstanding or pre-paid contributions at the balance sheet date.

The deficit of the scheme at 31st March 2012 is £350.6 million (31st March 2011: £187.6 million) as calculated in accordance with IAS 19.

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 31st July 2012 were £80,856 (31st July 2011: £207,680).

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

	Awarded/Received for disbursement	Disbursed	No. of students awarded funds
	£000	£000	£000
Access to Learning Fund	9	9	27
Erasmus	14	9	8
Total	23	18	35

14. Capital Expenditure

Capital expenditure totalling £255,673 was incurred during the period. This was mainly related to the work carried out in the Music Hall.

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 2011 to 31st July 2012 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 City of London Corporation 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.

In this way, as a matter of policy and procedure, the City of London Corporation 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 2011/12 the School received £800,713 (2010/11 - £957,555) from the Trust for scholarships for tuition fees and bursaries for maintenance.