Commentary to support the OfS Annual Financial Return 2021 workbook

Provider's name:	Guildhall School of Music & Drama
UKPRN:	10007825

Assumptions and impact of forecast changes

1. To help the Office for Students (OfS) understand the financial and student number forecasts, and the impact on your provider's financial viability and sustainability of changes from the forecast, please complete the table below. Please enter the narrative explaining the assumption and the financial impact resulting from it for each of the items. If there are several assumptions for any one line, please separate around the financial impact for each assumption.

		Narrative – assumption for change between years	**Financial impact, in £000s, from assumption**
1	Student numbers (full-time equivalent)		
1a	UK-domiciled undergraduate students (full-time and part-time)	The assumption for intake in Autumn 2021 is a slight increase as we seek to replace an anticipated drop in EU numbers with greater recruitment domestically	
1b	Other EU-domiciled undergraduate students (full-time and part-time)	While we are expecting a reduction in new intake from the EU going forwards as a result of Brexit, recruitment in Autumn 2020 was slightly higher than normal and we will continue to benefit from that bubble as that cohort progress through their course.	
1c	Non-EU domiciled undergraduate students (full-time and part-time)	A focus on overseas recruitment to compensate for Brexit, together with a rebound followed a supressed intake in 2020 due to Covid, means that we are anticipating a c 25% increase year on year, though we will still be lower than	

		Narrative – assumption for change between years	Financial impact, in £000s, from assumption
		pre pandemic recruitment levels from 2019	
1d	Postgraduate taught students (all domiciles, full-time and part-time)	We are anticipating a modest drop in postgraduate student numbers this year, after the Covid effect prompted somewhat more students to stay on to do a post graduate degree in 2020.	
1e	Postgraduate research students (all domiciles, full-time and part-time)	Initial application data suggests a slight drop in UK research numbers with a slight increase in EU numbers.	
2	Student fee income levels		
2a	UK-domiciled undergraduate students (full-time and part-time)	The increase in student numbers will yield a small increase in fee income. Fee per student is assumed to remain unchanged	Gain of £92,500
2b	Other EU-domiciled undergraduate students (full-time and part-time)	With fewer students paying a higher fee (with respect to new incoming students) we are anticipating a significant increase here	C£450,000 per annum increase when compared to a full academic year
2c	Non-EU domiciled undergraduate students (full-time and part-time)		C£60k vs the year ended 31 July 2020
2d	Postgraduate taught students (all domiciles, full-time and part-time)	The increase in domestic recruitment numbers coupled with an expected drop in overseas student numbers means we are not anticipating increase in fee income when comparing the full academic year to 31 July 2021 with the full academic year to 31 July 2022	
2e	Postgraduate research students (all domiciles, full-time and part-time)	Overall income will be largely stable, though the slight growth in EU numbers means a small overall gain in fee income	C£60k compared to the previous academic year
3	Office for Students grant	For the purpose of the forecast it is assumed that Academic year funding for	

		Narrative – assumption for change between years	Financial impact, in £000s, from assumption
		the year to 31 July 2022 will be as outlined in the grant letter issued earlier this year and will remain flat throughout the forecast period	
4	Research England grant	It is assumed that recurrent grants for Knowledge Exchange and QR will remain flat throughout the forecast period.	
5	Staff costs	It is assumed that staff will continue to progress through the grade they are on as normal with a small cost of living award applied to lower grades only. Having removed some discretionary posts and decided to permanently remove several already vacant posts, overall staff costs should fall by c £1.3m on a like for like basis (comparing the annualised cost for year two to the forecast cost for year 3) before beginning to rise again in 2022/23	£1.3m
6	Inflation	No change re regulated fees. 3% per annum increase for non-regulated fees. C 1 -2 % on most expenditure lines	
7	Pension costs	To rise in proportion to movements in salaries. No change in employer % contribution rate	
8	Pension provision	None. Not applicable given the relationship with the City of London	
9	Interest costs	Not relevant. No savings or investments and no borrowing.	
10	Building maintenance costs		
11	Contingency	None	
12	Other income	The School anticipates a return to pre-Covid levels of activity in the year to 31 March 2022 with annual growth as we seek to expand income streams going forward	

Ensuring financial viability and sustainability

2. How is your provider ensuring its financial viability[1] and sustainability,[2] including the identification and management of material risks to viability and sustainability?

> During the year we completed a line by line review of every departmental budget across the Institution to identify efficiency savings. During the autumn of 2021 we will be reviewing the financial model for every course we offer at the Institution to ensure appropriate targets for student recruitment are set and appropriate levels of staff resources are allocated to each programme to ensure optimum efficiency while maintaining the academic quality that both our staff and students have come to expect of us.
>
> During the year we also reviewed 21 separate proposals from colleagues for ways in which we might develop new income streams or further grow existing streams. The five most viable proposals have formed the basis for an investment case to the City of London and we expect to have a response to that case shortly. Should that investment be forthcoming we would expect to be able to report significantly enhanced growth compared to the numbers included in this forecast.

3. What scenario planning, sensitivity analysis or stress testing has been undertaken to understand and mitigate the risks to financial viability and sustainability that arise from uncertainty in your financial and student number forecasts? Please provide details.

> We have (and are continuing to work through) various models for student numbers, particularly around potential losses of EU numbers – and our ability to continue to offer viable programmes as a result while considering the potential need to reduce resource allocations where reductions in student numbers might be permanent rather than a temporary blip and redirect them to other programmes where recruitment is likely to grow. We are reviewing our use of space to ensure we are optimising our use of resources to the fullest extent possible.
>
> We have modelled the potential impact of future changes to teaching funding allocations to understand how decisions regarding the allocation of those funds might affect us.
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> We are also working closely with colleagues in the City of London to ensure that they are aware of the risks within the financial model and are best place to assist us in mitigating against them.

4. Where the financial and student number forecasts include any significant movements (±10 per cent in any one year) on the income and expenditure account, what are the reasons for these

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[1] 'Financially viable' means that the OfS judges that there is no reason to suppose the provider is at material risk of insolvency within a period of three years from the date on which the judgement is made.

[2] 'Financially sustainable' means the OfS judges that the provider's plans and protections show that it has sufficient financial resources to fulfil conditions D(iii) and D(iv) of ongoing registration for the period of five years from the date on which the judgement is made, and that it is likely to be able to operate in accordance with these plans and projections over this period.

movements? The explanation must include details about any material exceptional income or expenditure items.

Year one – the year ended 31 July 2020 is twelve months long. Year two – the year ended 31 March 2021 is eight months long. Year 3 – the year ended 31 March 2022 is twelve months long. This is the result of our having changed our year end date and has triggered error messages (due to variances in excess of 10%) on almost every line throughout the AFR.

5. Where the financial and student number forecasts include material changes on the balance sheet, what are the reasons for these changes? The explanation must include details about any material exceptional items.

We do not have a Balance Sheet

6. Where the financial and student number forecasts include any significant movements (±10 per cent in any one year) on the cash flow statement and forecast, what are the reasons for these movements? The explanation must include details about any material exceptional cash items (you may cross-refer to questions 4 and 5 above if appropriate).

We do not have a cash flow statement

Intangible assets

7. What are the intangible assets that your provider currently owns or plans to own in the future?

Not applicable

8. How have you valued your intangible assets? How and why has the value of these assets changed during the past three years?

Not applicable

Provisions

9. If you have reported pension provisions in your balance sheet, what pension schemes do these relate to?

Not applicable

10. Have all provisions been disclosed in the notes to the audited financial statements? If not, state what the provision is, why it arises, its value and why it was excluded from the audited financial statements.

Not applicable

Other reserves

11. Where there is a balance shown in any year for 'other reserves', what comprises this balance?

Not applicable

Off-balance sheet

12. Please detail any off-balance sheet items that you may hold but have not included in your financial tables. For each item please detail:

- what the item is (e.g. student halls of residence)
- what its value would be if the item were to come onto the balance sheet for any reason (e.g. closure of the company providing the service)
- the reason why you consider that it does not need to be included on your balance sheet
- information about who (or what) holds the risk in relation to this item.

Not applicable

Other

13. If relevant, what are your debt covenants and how do you manage your compliance with them? Do your forecasts show that you will continue to meet these covenants for the full forecast period?

Not applicable

14. Is there any further information that would be helpful to the OfS in assessing your financial and student number forecasts to ensure that we understand the provider’s financial viability and sustainability? If so, provide this below.

We have sought to be as conservative as possible when plotting assumptions around the appetite for EU students to come to the Institution and our ability to replace any lost EU students with UK and/or overseas students. However following the relaxation of lockdown rules, we have included a return to normality in terms of our ability to re-open our accommodation and catering facilities, to offer a full range of non-degree bearing courses, to sell tickets to performances and to fundraise from donors. We have also worked closely with the City of London to identify efficiency savings and sought additional investment from them to support the transition back to financial self-sufficiency.

15. If you have separately disclosed material items in your audited financial statement of comprehensive income and expenditure, please give details of what these relate to.

Not applicable

16. Please use this space to provide any further information you wish to bring to our attention, or any further explanation supporting your entries in the tables.

Not applicable