

Committee: Board of Governors of the City of London Freeman's School	Date: 11 June 2021
Subject: The charging of administration costs and external audit fees to the CLFS charities from 2021/22 and updates to the reserves policies of the charities to reflect this change	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and / or capital spending?	N/A
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Decision
Report author: Nick Basye, Senior Accountant (Chamberlain's Department)	

Summary

This report sets out that the City Corporation, as trustee of two CLFS charities, has chosen to exercise its right to be reimbursed for legitimate and reasonable costs and expenses properly incurred while undertaking its duties on behalf of these charities from 2021/22. These charges comprise the costs of administering the two charities (2021/22 estimate: £5,529) and external audit fees (2021/22 estimate: £4,500).

This report also proposes that the reserves policies of the two charities are revised to provide for these costs going forwards.

Recommendations

1. Members note that, following a change in policy approved by the Finance Committee, the City of London Corporation will begin recovering the external audit fees and administration costs incurred from those charities, including the School's two charities, from 2021/22 onwards; and
2. Members revise the reserves policies of each of the School's two charities to provide for these costs going forwards.

Main Report

Costs incurred by the City Corporation as trustee of the CLFS charities

1. Following a report to Finance Committee which was approved on 16 February 2021, starting from financial year 2021/22, the City Corporation, as Trustee, will change its policy so that Sundry Trust and Open Spaces charities, including the two charities associated with the School, should bear the legitimate and reasonable costs and expenses incurred by the City Corporation in administering each charity as trustee. This will result in the costs of administration and the external audit fees being recharged to the charities. The initial estimates of the amounts are as set out below and will be subject to annual review:

		Estimated costs 2021/22 £		
Charity Name	Charity registration Number	Chamberlain's Department administration cost	External audit fee	Total
Charities Administered in Connection with CLFS	312120	1,106	2,000	3,106
CLFS Bursary Fund	284769	4,423	2,500	6,923
Total		5,529	4,500	10,029

Proposed amendments to the reserves policies of the CLFS charities

2. Linked to the above, it is proposed that the reserves policies of the charities will be revised for the 2021/22 financial year to ensure full compliance with the Charities Statement of Recommended Practice (SORP). The revised policies should reflect the costs expected to be reimbursed by the City Corporation as trustee and it is recommended that they are amended as follows (with additions shown in bold):
 - a. Charities Administered in Connection with CLFS – “The charity holds an endowment fund, for which it maintains the capital base and uses the investment income in accordance with the objectives of the charity. Further to this, it holds a restricted fund which is utilised in accordance with the wishes of its donors. ~~Consequently, the charity has no free reserves and a reserves policy is considered by the Trustee to be inappropriate.~~ **The free reserves of the charity are held to cover working capital needs. The trustee believes that an amount of £3,106 should be held at present, representing 12 months of administration and external audit fees, which will be subject to annual review.**”
 - b. CLFS Bursary Fund – “The reserves policy is to maintain the expendable funds of the charity in investments in the Charities Pool administered by the City of London Corporation and to use the investment income together with other funds, in accordance with the objectives of the charity. **The free reserves of the charity are held to cover working capital needs. The Trustee believes that an amount of £6,923 should be held at present,**

**representing 12 months of administration and external audit fees,
which will be subject to annual review.”**

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