

<b>Committee(s):</b>	<b>Date(s):</b>
Board of Governors City of London Freemen's School	7 October 2014
<b>Subject:</b> Revenue Outturn 2013/14	<b>Public</b>
<b>Report of:</b> The Chamberlain The Headmaster (CLFS)	<b>For Information</b>
<p><b><u>Summary</u></b></p> <p>Total net income for 2013/14 was £1,647,000 compared to a budgeted position of £1,410,000 - representing an increase in net income of £237,000 (16.8%). This better than budget position was mainly due to a reduction across various supplies and services expenditure headings, coupled with increases in income largely in relation to increased demand for facilities hire.</p> <p>The 2002 school funding guidelines report recommended that the General Reserve balance should not exceed 5% of the original estimate of fee income, equating to £608,000 for 2013/14, with any excess transferred to the Capital Reserve Fund. In accordance with these guidelines the transfer to the Capital Reserve was £1,632,000.</p> <p>Including this transfer, the full balance on the Capital Reserve of £6,153,057 was applied on 31 March 2014, as planned, towards the funding of Phase 1 of the Masterplan. An internal loan of £284,417 has been provided by the City for the balance of funding required at 31 March 2014.</p> <p><b>Recommendations</b></p> <p>It is recommended that this revenue outturn report for 2013/14 is noted.</p>	

## **Main Report**

### **2013/14 Revenue Budget Position compared to Outturn**

1. Overall, net revenue income for 2013/14 was £1,647,000 compared to an agreed net income budget of £1,410,000, representing an increase in net income of £237,000. The table below provides a detailed comparison between the budget and outturn. Figures in brackets represent income, increases in income or reductions in expenditure.

<b>TABLE 1 CITY OF LONDON FREEMEN'S SCHOOL</b>			
Analysis of Service Expenditure	Budget	Actual	Variation (Better)/ Worse
	2013/14 £'000	2013/14 £'000	2013/14 £'000
<b>EXPENDITURE</b>			
Employees	7,776	7,807	31
Premises Related Expenses (see note i)	1,566	1,543	(23)
Transport Related Expenses (see note ii)	79	72	(7)
Supplies & Services (see note iii)	1,974	1,834	(140)
Staff Subsidy	270	267	(3)
Headmaster's Scholarship Awards	3	0	(3)
Scholarship Subvention Awards	480	480	-
Match Funding Awards	29	27	(2)
Support Services (Annex A)	771	790	19
Capital Charges (Annex A)	1,412	1,412	-
<b>Total Expenditure</b>	<b>14,360</b>	<b>14,232</b>	<b>(128)</b>
<b>INCOME</b>			
School Meals and Tuck Shop	(384)	(384)	-
School tuition fees	(11,860)	(11,865)	(5)
Other tuition fees	(236)	(233)	3
Boarding fees	(459)	(454)	5
Registration and Examination fees	(149)	(145)	4
Other (see note iv)	(176)	(263)	(87)
Interest	(50)	(67)	(17)
City Support (Annex A)	(2,456)	(2,468)	(12)
<b>Total Income</b>	<b>(15,770)</b>	<b>(15,879)</b>	<b>(109)</b>
<b>TOTAL NET INCOME BEFORE TRANSFER TO CAPITAL RESERVE</b>	<b>(1,410)</b>	<b>(1,647)</b>	<b>(237)</b>
Transfer To Capital Reserve	1,395	1,632	237
<b>TOTAL NET EXPENDITURE/ (INCOME) AFTER TRANSFER TO CAPITAL RESERVE</b>	<b>(15)</b>	<b>(15)</b>	<b>-</b>
<b>BALANCE B/FWD 1 APRIL</b>	<b>(593)</b>	<b>(593)</b>	<b>-</b>
<b>BALANCE C/FWD 31 MARCH</b>	<b>(608)</b>	<b>(608)</b>	<b>-</b>

### Notes

- (i) Premises Related Expenses – includes energy costs, rates, water services, cleaning and domestic supplies and the contribution to the Repairs, Maintenance and Improvements Fund.
- (ii) Transport Related expenses include the contribution to the Vehicle Purchase/Replacement Fund.
- (iii) Supplies and Services – equipment, furniture, materials, books, uniforms, printing, stationary, professional fees, grants & subscriptions, advertising and the contribution to the Foundation Bursary Fund.
- (iv) Other income – hire of facilities, administration charges, freedom fees, and rent.

2. The 2002 school funding guidelines report recommended that the General Reserve balance should not exceed 5% of the original estimate of fee income, equating to £608,000 for 2013/14, with any excess transferred to the Capital Reserve Fund. In accordance with these guidelines the budget assumed a transfer to the Capital Reserve Fund of £1,395,000. However, due to the school benefiting from additional net income of £237,000 during the year, the transfer to the Capital Reserve was increased to £1,632,000.

Including this transfer, the full balance on the Capital Reserve of £6,153,057 was applied on 31 March 2014, as planned, towards the funding of Phase 1 of the Masterplan. An internal loan of £284,417 has been provided by the City for the balance of funding required at 31 March 2014.

3. The main reasons for the variations summarised in Table 1, resulting in additional net income of £237,000, were:-

A reduction in expenditure of £128,000 mainly due to:-

- i) lower than anticipated supplies and services expenditure of £140,000 including:
  - £56,000 from equipment, furniture and materials, including an underspend of £29,000 on Junior School play equipment that was not required as the grounds around the new Music School were not completed in time to purchase the equipment in the 2013/14 financial year; a number of smaller underspends totalling £22,000 across numerous departments as repairs and replacements were not required; and £5,000 on equipment maintenance and the hire of equipment due to the careful management of resources;
  - £27,000 from communications and computing following delays to the new Music School coupled with changes to hardware requirements, for example, the provision of innovative interactive whiteboards;
  - £24,000 from printing and stationery due to greater use of the School's website and a reduced requirement for paper based materials; and
  - £21,000 from books as a consequence of greater use of Information Technology as teaching methodologies change;
- ii) premises expenses being £23,000 below budget primarily as a result of lower fuel costs; partly offset by

- iii) an increase in employee expenses of £31,000 principally due to additional temporary staff costs of £14,000 to cover long-term sickness absence; the appointment of a new post as Personal Secretary to the Deputy Head from December 2013 at £10,000 (part year); and the replacement of the Senior School Secretary/Receptionist following a period of illness from January 2014 at £5,000 (part year).

Additional income of £109,000, the main elements of which were increased facilities hire of £66,000 primarily relating to lettings during the summer recess; an additional £6,000 from freedom fees for Foundation Bursaries, which is offset by a corresponding increase in the contribution to the Foundation Bursary Fund; £5,000 from Teachers of English to Speakers of Other Languages (TESOL) tuition following an increase in the number of overseas students taking English lessons; and increases in interest earnings and City of London Support of £17,000 and £12,000 respectively.

4. As requested by Governors, Annex C compares the budget and outturn with the brackets convention reversed to accord with the practice generally adopted in the private sector.

#### **Unrestricted, Designated and Restricted Funds**

5. A summary of unrestricted, designated and restricted funds showing the movements in 2013/14 is attached at Annex B. As planned, total funds have decreased - from £8,027,445 to £3,680,718.

The main reason for the reduction is the planned application of the full balance on the capital reserve towards the funding of Phase 1 of the Masterplan. This funding totalled £6,153,057 and comprised:

- the balance of £4,467,478 brought forward at 1 April 2014 (included within the £8,027,445 above);
- the £1,631,922 transferred to the reserve for the year; and
- interest earnings of £53,657.

An internal loan of £284,417 has been provided by the City for the balance of funding required for the Masterplan at 31 March 2014.

6. Two new funds were established during the year as follows:-
  - i) the Ashtead Park Swimming Club, which had an overdrawn balance of £552 as at 31 March 2014. This was set up prior to the Pool fire in January 2014 to establish a swimming club on-site in collaboration with Guildford Swimming Club, and

- ii) a Charitable Donations Fund, which had a balance of £9,226 as at 31 March 2014. This was established in order to collect monies raised by pupils for charity, and subsequently arrange for payments to be made to the specified charities.

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**SUPPORT SERVICES AND CAPITAL CHARGES**  
**AND**  
**CITY SUPPORT**

	<b>Budget</b>	<b>Actual</b>	<b>Variation Increase/ (Decrease)</b>
	<b>2013/14 £'000</b>	<b>2013/14 £'000</b>	<b>2013/14 £'000</b>
<b>Support Services and Capital Charges</b>			
Information Systems (IS)	137	145	8
Staff Insurance	48	51	3
Other Insurance	55	54	(1)
Chamberlain	213	213	-
Comptroller & City Solicitor	13	13	-
Town Clerk	112	112	-
City Surveyor	39	39	-
Miscellaneous - see note i	21	21	-
Corporate & Democratic Core (CDC)	44	47	3
City of London Procurement Service	24	24	-
City Surveyor's Employee Recharge	65	71	6
Capital Financing Costs	1,412	1,412	-
<b>TOTAL SUPPORT SERVICES AND CAPITAL CHARGES</b>	<b>2,183</b>	<b>2,202</b>	<b>19</b>

<b>City Support</b>			
<b>Scholarships</b>			
General - see note ii	(480)	(480)	-
2.5% Match Funding - see note iii	(29)	(27)	2
<b>Total Scholarships</b>	<b>(509)</b>	<b>(507)</b>	<b>2</b>
<b>Support Services and Capital Charges</b>			
Information Systems	(137)	(145)	(8)
Staff Insurance	(48)	(51)	(3)
Support Services	(466)	(469)	(3)
Capital Financing Costs	(1,387)	(1,387)	-
<b>Total Support Services and Capital Charges</b>	<b>(2,038)</b>	<b>(2,052)</b>	<b>(14)</b>
<b>Other</b>			
Listed Building Subvention	(47)	(47)	-
PP2P savings - see note iv	138	138	-
<b>Total Other</b>	<b>91</b>	<b>91</b>	<b>-</b>
<b>TOTAL CITY SUPPORT</b>	<b>(2,456)</b>	<b>(2,468)</b>	<b>(12)</b>

**SUPPORT SERVICES AND CAPITAL CHARGES**  
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Notes:

- i) Various services including corporate training, corporate printing, occupational health, union costs and environmental and sustainability sections.
- ii) City's Cash finances the equivalent of 34 full fee scholarships per annum – 6 full fee equivalent (FFE) in the junior school, 2 FFE in years 7 and 8 and 26 FFE in the Senior School.
- iii) The funding guidelines, as agreed by Policy & Resources Committee on 19 September 2002, provided for the City to match fund external bursary funds raised from that date onwards up to a cap of 2.5% of tuition fee income.
- iv) As a result of new contracts procured by the City's PP2P Team, expenditure by City Schools should generally be reduced. However, as agreed by the Chief Officers' Group in January 2012, such savings are to benefit the City Corporation centrally to help achieve balanced revenue budgets on City's Cash over the medium term. In order to move these savings from the Schools to the centre, an adjustment has been made to the City's support to the Schools. This will leave the Schools in a neutral resource position as the reduction in costs from the PP2P savings will be offset by a reduction in income through the City's Support. Should a contract procured by the PP2P Team result in an increase in a School's costs then a compensatory increase will be made to the City's support to retain the neutrality principle.