

<b>Committee(s)</b> Board of Governors City of London School for Girls – For Information	<b>Dated:</b> 10 October 2017
<b>Subject:</b> Revenue Outturn 2016/17	<b>Public</b>
<b>Report of:</b> The Chamberlain The Headmistress	<b>For Information</b>
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### Summary

The net income for 2016/17, before transfers to reserves, was £818,000 compared to a budgeted position of £896,000 - representing a reduction in net income of £78,000 (9%) as shown in the table below.

	Budget 2016/17 £'000	Actual 2016/17 £'000	Variation Better/ (Worse) 2016/17 £'000	Variance explan- ation at report para- graph
Income	13,163	13,054	(109)	3i)
Expenditure	(12,267)	(12,236)	31	3ii) -3iii)
<b>Total net income BEFORE transfers</b>	<b>896</b>	<b>818</b>	<b>(78)</b>	
<b><u>Transfers to reserves</u></b>				
Self Funded Bursaries	(343)	(343)	-	
Repairs & Maintenance	(564)	(564)	-	
<b>Total transfers</b>	<b>(907)</b>	<b>(907)</b>	<b>-</b>	
<b>Total net income/expenditure AFTER transfers</b>	<b>(11)</b>	<b>(89)</b>	<b>(78)</b>	
General Fund Bal. b/fwd 1 April	449	449	-	
<b>General Fund Bal. c/fwd 31 March</b>	<b>438</b>	<b>360</b>	<b>(78)</b>	

The 2002 funding guidelines report recommended that the School's General Reserve Balance should not exceed 5% of the original estimate of fee income, equating to £572,000 for 2016/17, with any excess transferred to the Capital Reserve Fund. In accordance with these guidelines, the transfer to the Capital Reserve Fund was maintained at nil.

The balance in the Capital Reserve Fund as at 31 March 2017 was £1,361,251 (2015/16: £1,360,315).

Total School funds, including the Capital Reserve Fund, as at 31 March 2017 amounted to £3,416,717 as detailed in Appendix C (£4,142,238 as at 31 March 2016), which represents a decrease of £725,521 as detailed at paragraph 4 to this report.

### **Recommendation**

It is recommended that this revenue outturn report for 2016/17 is noted.

### **Main Report**

#### **2016/17 Budget Position compared to Revenue Outturn**

1. Overall, net income before transfers for 2016/17 was £818,000 compared to an agreed net income budget of £896,000, representing a reduction in net income of £78,000. Table 1 provides a comparison between the budget and outturn. Figures in brackets represent expenditure, increases in expenditure, or reductions in income.

<b>TABLE 1</b>			
<b>CITY OF LONDON SCHOOL FOR GIRLS</b>			
	Budget	Actual	Variation Better/ (Worse)
Analysis of Service Expenditure	2016/17 £'000	2016/17 £'000	2016/17 £'000
<b>INCOME</b>			
School & Staff Meals	148	149	1
Tuck Shop and Vending Machine	143	137	(6)
School tuition fees	11,447	11,461	14
Other tuition fees	288	295	7
Registration and Examination fees	232	119	(113)
Facilities Hire, Admin Charges & Interest	96	82	(14)
City Support (Appendix A)	809	811	2
<b>Total Income</b>	<b>13,163</b>	<b>13,054</b>	<b>(109)</b>
<b>EXPENDITURE</b>			
Employees	(8,320)	(8,310)	10
Premises Related Expenses (note i)	(685)	(625)	60
Transport Related Expenses	(51)	(65)	(14)
Supplies & Services (note ii)	(1,766)	(1,786)	(20)
Staff Subsidy & Prizes	(8)	(9)	(1)
Scholarship Subvention Awards	(513)	(513)	0
Match Funding Awards	(286)	(287)	(1)
Support Services (Appendix A)	(449)	(452)	(3)
Capital Charges (Appendix A)	(189)	(189)	0
<b>Total expenditure before transfers</b>	<b>(12,267)</b>	<b>(12,236)</b>	<b>31</b>
<b>TOTAL NET INCOME BEFORE TRANSFERS</b>	<b>896</b>	<b>818</b>	<b>(78)</b>
<b>Transfers to Reserves</b>			
Self-Funded Bursaries	(343)	(343)	0
Repairs & Maintenance	(564)	(564)	0
<b>Total Transfers</b>	<b>(907)</b>	<b>(907)</b>	<b>0</b>
<b>TOTAL NET INCOME / (EXPENDITURE) AFTER TRANSFERS</b>	<b>(11)</b>	<b>(89)</b>	<b>(78)</b>
<b>General Fund Bal. b/fwd 1 April</b>	<b>449</b>	<b>449</b>	<b>0</b>
<b>General Fund Bal. c/fwd 31 March</b>	<b>438</b>	<b>360</b>	<b>(78)</b>

#### Notes

- (i) Premises Related Expenses – includes energy costs, rates, water services, cleaning and domestic supplies.
- (ii) Supplies and Services – includes equipment, furniture, materials, books, uniforms, printing, stationary, professional fees, grants & subscriptions, and advertising.

2. The 2002 funding guidelines report recommended that the General Reserve balance should not exceed 5% of the original estimate of fee income, equating to £572,000 for 2016/17, with any excess transferred to the Capital Reserve Fund. Due to the School's net expenditure position, no funds were transferred to the Capital Reserve Fund in 2016/17 and the School's General Reserve balance was £360,018 at 31 March 2017 (31 March 2016: £449,639). The balance in the Capital Reserve Fund as at 31 March 2017 was £1,361,251 (2015/16: £1,360,315).
3. The main reasons for the variations summarised in Table 1, resulting in a decrease in net income of £78,000 were:-

A reduction in income of £109,000 mainly due to:-

- i) a reduction in registration and examination fees of £113,000 largely as a result of the assumption that the June 2016 examination fees would be recouped from parents, however this is not due to commence until the 2017/18 financial year in relation to the June 2017 examinations (£80,000); coupled with an overestimation of the number of pupils registering their interest in attending the school (£33,000).

Lower expenditure of £31,000 principally as a result of:-

- ii) a reduction of premises related expenses of £60,000 principally due to lower than anticipated energy costs of £42,000 as a result of continued efforts to improve energy efficiency within the school; offset by
- iii) an increase in supplies & services expenditure of £20,000 largely due to additional consultancy work on significant projects such as Year 11 retention and International Expansion.

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

4. A summary of unrestricted, designated and restricted funds, showing the movements in 2016/17, is attached at Appendix C. As planned, total funds have decreased by £725,521 from £4,142,238 to £3,416,717 at 31 March 2017. The main movements are as follows:
  - i) Unrestricted Fund net income, before transfers, of £817,379 as detailed in Table 1, which was used to partly offset the net expenditure charged to the designated funds, principally as follows:
  - ii) planned expenditure from the Repairs & Maintenance Fund of £1,001,568 in accordance with the agreed programme of works, offset by interest of £4,253; and
  - iii) net expenditure of £549,062 from the Self-Funded Bursary Fund on awards following the annual assessment of parental

circumstances, student departures and the allocation of awards, offset by interest of £1,384.

## **City of London overall Financial Position and context for the Efficiency and Sustainability Plan**

5. The Court of Common Council approved the published Efficiency and Sustainability Plan on the 13<sup>th</sup> October 2016. This plan focuses on the existing Service Based Review programme which is now nearing completion, other agreed transformation initiatives and developing a framework for continuous efficiency improvement for 2017/18 and later years. This plan needs to be viewed in the context of the overall Medium Term Financial Strategy to have a five year plan with sufficient cashable savings to present a balanced budget for all four funds and adopting an investment approach utilising the headroom to invest in one-off projects such as the Museum of London relocation project and 'bow wave' list of outstanding repairs.

To assist with this context and messaging, a set of core messages on the City of London Corporation's Finances have been developed and are set out in Appendix B for members information.

## **Appendices**

- Appendix A - City Support, Support Services & Capital Financing Charges
- Appendix B - Efficiency & Sustainability Plan - CORE MESSAGES ON THE CITY OF LONDON CORPORATION'S FINANCES – January 2017
- Appendix C - City of London School for Girls 2016/17 Movement of Funds

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**CITY SUPPORT**

<b><u>City Support</u></b>	<b>Budget</b>	<b>Actual</b>	<b>Variation Better/ (Worse)</b>
	<b>2016/17 £'000</b>	<b>2016/17 £'000</b>	<b>2016/17 £'000</b>
<b>Scholarships</b>			
General (note i)	513	513	-
2.5% Match Funding (note ii)	286	287	1
<b>Total Scholarships</b>	<b>799</b>	<b>800</b>	<b>1</b>
<b>Support Services</b>			
Information Systems	38	28	(10)
Chamberlain	74	81	7
Comptroller & City Solicitor	10	12	2
Town Clerk	79	102	23
City Surveyor	20	5	(15)
Corporate & Democratic Core (CDC)	22	24	2
Staff Insurance	38	30	(8)
<b>Total Support Services</b>	<b>281</b>	<b>282</b>	<b>1</b>
<b>Capital Charges – Depreciation</b>	<b>189</b>	<b>189</b>	<b>-</b>
<b>Other support and adjustments</b>			
City Procurement savings/(costs) (note iii)	(62)	(62)	-
London Living Wage - Catering (note iv)	37	37	-
London Living Wage - Cleaning (note v)	55	55	-
Service Based Review Savings (note vi)	(490)	(490)	-
<b>Total other support and adjustments</b>	<b>(460)</b>	<b>(460)</b>	<b>-</b>
<b>TOTAL CITY SUPPORT</b>	<b>809</b>	<b>811</b>	<b>2</b>

**Notes:**

- i) City's Cash finances the equivalent of 32.66 full fee scholarships per annum.
- ii) 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.
- iii) As a result of new contracts procured by City Procurement, expenditure by City Schools should be reduced. However, such savings are intended 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.

## Appendix A

### CITY SUPPORT

This will leave the Schools in a neutral resource position as the reduction in costs from the contract savings will be offset by a reduction in income through the City's support. Should a contract procured by the City Procurement 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.

- iv) The City of London School for Girls catering contract was awarded to The Brookwood Partnership for three years from 1 September 2013. Excluding the London Living Wage (LLW) costs would have remained broadly in line with the previous contract. However, in accordance with the City of London Corporation's policy on the LLW, all tenderers also quoted prices inclusive of LLW, and this added £37,000 to the annual cost. To ensure that the School is not financially disadvantaged, £37,000 has been added to the City's Support.
- v) The Corporate Cleaning Contract was awarded to MITIE from 1 September 2011, and further to iv) above, in accordance with the City of London Corporation's policy on the LLW, to ensure that the School is not financially disadvantaged, £55,000 has been added to the City's Support.
- vi) The Service Based Review (SBR) aims to deliver significant and sustainable savings and/or increased income in order to balance City Fund and City's Cash over the medium term. The Policy and Resources Committee agreed savings proposals totalling £598,000, excluding additional income from increases in tuition fees, for the City of London School for Girls. These proposals have been phased £437,000 in 2015/16 with an additional £53,000 in 2016/17 and a further £108,000 in 2017/18.

**SUPPORT SERVICES AND CAPITAL FINANCING CHARGES**

<b><u>Support Services and Capital Financing Charges</u></b>	<b>Budget</b>	<b>Actual</b>	<b>Variation Better/ (Worse)</b>
	<b>2016/17 £'000</b>	<b>2016/17 £'000</b>	<b>2016/17 £'000</b>
<b>Support Services</b>			
Information Systems (IS)	(38)	(28)	10
Chamberlain	(74)	(81)	(7)
Comptroller & City Solicitor	(10)	(12)	(2)
Town Clerk	(79)	(102)	(23)
City Surveyor	(20)	(5)	15
Corporate & Democratic Core (CDC)	(22)	(24)	(2)
Staff Insurance	(38)	(30)	8
Other Insurance	(50)	(47)	3
City Surveyor's Employee Recharge	(74)	(64)	10
CLPS Staff	(44)	(59)	(15)
<b>Support Services Sub-Total</b>	<b>(449)</b>	<b>(452)</b>	<b>(3)</b>
<b>Capital Charges – Depreciation</b>	<b>(189)</b>	<b>(189)</b>	<b>0</b>
<b>TOTAL SUPPORT SERVICES AND CAPITAL FINANCING CHARGES</b>	<b>(638)</b>	<b>(641)</b>	<b>(3)</b>



### Efficiency & Sustainability Plan

#### CORE MESSAGES ON THE CITY OF LONDON CORPORATION'S FINANCES – January 2017

##### **Our aim:**

Our funds are there to help the City of London Corporation promote financial, professional and business services, provide excellent public services and support the City, capital and country as a whole.

They must be used economically, efficiently and effectively to maintain the City's underlying infrastructure and services and so we can prioritise paying for initiatives which meet our long-term ambitions.

##### **How we do this:**

The City has four funds.

Two of these are paid for by ratepayers and taxpayers:

- City Fund - money used to cover local authority activities in the square mile and beyond.
- Police Fund – the money used to pay for the City of London Police Force

Two are provided at no cost to the taxpayer:

- City's Cash - an endowment fund built up over 800 years and passed from generation to generation used to fund services that benefit London and the nation as a whole.
- Bridge House Estates - the money used to look after five bridges over the Thames with any surpluses being used for charitable purposes and awarded through the City Bridge Trust.

It is a duty on us to make the best use of the resources we have. This can only be done through continually reviewing the economy, efficiency and effectiveness of our services, the outcomes that are achieved and how they meet our long-term ambitions.

Everyone has a role to play in constantly challenging what we do and thinking about how we could do things better.

##### **Are there further cuts being made?**

Yes, but only 2% and only to ensure continuous improvement. In 2014, we estimated that due to cuts in government funding City Fund would be facing deficits approaching £11m by 2017/18 so we had to deal with this by scrutinising all our activities in what we called the Service Based Review.

## Appendix B

We could, of course, have just made efficiencies in those areas paid out of public funds. But we decided it was not fair or equitable to ask some parts of our organisation to be more efficient and not others.

Proposals totalling £20m in efficiencies/extra income were identified and are well underway to being implemented. Following the completion of the Service Based Review programme, a continuous 2% per annum budget reduction target will be introduced across all our services. Departments will be expected to meet this through efficiency and performance improvements.

### **Why are we continuing to make budget reductions?**

Firstly, we have a duty to ensure the most effective and efficient use of our resources.

Secondly, we continue to have big cost pressures. We live in an historic and ageing City. Many of our properties are deteriorating which requires an increased level of investment, and our IT infrastructure and service needs investment. In addition the City of London Police needs to address the changing nature of policing and the increasing demands placed on the service in the context of increased security threats from terrorism, growing cybercrime and online economic crime and intelligence requirements.

Thirdly, by being economic, efficient and making savings and focusing our efforts where we are most effective we can enhance existing services and pursue new priorities and increasingly ambitious outcomes for the benefit of the City, London and the nation.

### **Why not utilise the City's Cash fund endowment?**

This is money which has been passed down to us over the years, produces income for us and is not to be used lightly as we want to pass it on to future generations to sustain services in the medium to longer term. Its income comes mainly from property and investments and is used to finance activities for the benefit of the City, London and the nation as a whole. Any sale of the underlying investments reduces the ability of the fund to generate income in future years.

The City's Cash budget will be running a deficit over the next three years to allow us to carry out essential investment before returning to a small surplus in 2020/21.

### **So what does the future look like for these funds?**

The financial forward look for two of our funds is relatively healthy but uncertainties remain.

- City Fund: we have been planning for a continuing reduction in government grant and the underlying budget position is robust. We will be using the headroom to invest in essential repairs and maintenance and to fund the

building of the new Museum of London to the benefit of all Londoners and the country as a whole.

## **Appendix B**

- **City's Cash:** The forecast deficit over the next three years reflects our commitment to carry out essential investment and to support cultural development before returning to a small surplus in 2020/21.
- **Bridge House Estates:** the rising surplus will increase the resources available to the City Bridge Trust for charitable giving across London.
- **The Police Fund:** The underlying financial position remains very challenging with the recent Police core grant settlement marginally lower than anticipated. Additional cost pressures have meant the fund has moved into deficit, utilising the remaining ring fenced reserves in 2016/17 and 2017/18. An interim strategy has been developed and proposed for dealing with the deficit to the end of 2017/18. The Town Clerk, the Chamberlain and the Commissioner, have commissioned a review of the Police operating model, focusing on future demand modelling and how best to secure VFM, to identify options to address the, as yet unfunded, projected deficits of £5.6m in 2018/19 and £3.8m in 2019/20.

### **What are your total assets?**

The City of London Corporation has assets of around £4bn. Income from these assets fund our services and any sale of assets to fund on-going services in the short term would harm our ability to protect services in the medium to longer term. Sale of many of our local authority assets to fund day to day services is also effectively prohibited by Local Government accounting rules.