Committee(s):	Date(s):	Item no.
Finance & Estates Sub-Committee of the Board of Governors of the City of London School	26 September 2018	
Board of Governors of the City of London School	17 October 2018	
Subject: Revenue Outturn 2017/18	**Public**	
Report of: The Chamberlain The Head	**For Information**	

Summary

The net income for 2017/18, before transfers to reserves, was £1,502,000 compared to a budgeted position of £1,542,000. This represents a reduction in net income of £40,000 (2.6%) as shown in the table below.

	Budget 2017/18 £000	Actual 2017/18 £000	Variation Better/ (Worse) 2017/18 £000	Para Ref
Income	18,058	18,180	122	3.iv to 3.vii
Expenditure	(16,516)	(16,678)	(162)	3.i to 3.iii
Total Net Income Before Transfers	**1,542**	**1,502**	**(40)**	
Transfers to reserves				
Repairs, Maintenance & Improvements Fund	(991)	(991)	-	
Information Technology	(266)	(266)	-	
Retirement	(22)	(22)	-	
Organ Replacement	(10)	(10)	-	
Grove Park Sports Reserve	(10)	(10)	-	
Capital Reserve	(350)	(310)	40	
Total Transfers	**(1,649)**	**(1,609)**	**40**	
Total Net Income After Transfers	**(107)**	**(107)**	**-**	
General Reserve Balance brought forward 1 April	607	607	-	
General Reserve Balance carried forward 31 March	**500**	**500**	**-**	

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 £754,000 for 2017/18, with any excess transferred to the Capital Reserve Fund. In light of recent capital works at the School and the aim of restoring the Capital Reserve Fund to its historic level of £1.5m, a transfer of £310,000 to the Capital Reserve Fund was actioned in 2017/18, thereby resulting in a General Reserve Balance of £500,000, which is £254,000 below the allowed maximum. Following this transfer, and after taking account of the planned expenditure funded from the reserve during the year, the balance in the Capital Reserve Fund as at 31 March 2018 was £641,349 (2016/17: £334,021).

Total School funds, including the General Reserve and Capital Reserve Funds, as at 31 March 2018 amounted to £2,725,255 as detailed in Annex B (£2,396,912 as at 31 March 2017), which represents an increase of £328,343 as detailed at paragraph 4 to this report.

Recommendations

It is recommended that this revenue outturn report for 2017/18 is noted.

Main Report

2017/18 Revenue Budget Position compared to Outturn

1. Overall, net income before transfers for 2017/18 was £1,542,000 compared to the budgeted net income of £1,502,000, representing a reduction of £40,000. Table 1 provides a comparison between the budget and outturn. Figures in brackets represent expenditure, increases in expenditure, or reductions in income.

TABLE 1 CITY OF LONDON SCHOOL			
Analysis of Service Expenditure	**Budget** **2017/18** **£000**	**Actual** **2017/18** **£000**	**Variation Better/ (Worse)** **2017/18** **£000**
INCOME			
School Tuition Fees	15,081	15,057	(24)
School & Staff Meals	457	475	18
Bookshop	145	172	27
Music Tution Fees	194	205	11
Registration Fees	185	212	27
Examination Fees	122	126	4
Other (note i)	25	26	1
City Support (Annex A)	1,849	1,907	58
Total Income	**18,058**	**18,180**	122
EXPENDITURE			
Employees	(10,549)	(10,702)	(153)
Premises Related Expenses (note ii)	(1,153)	(1,086)	67
Transport Related Expenses	(217)	(219)	(2)
Supplies & Services (note iii)	(2,489)	(2,493)	(4)
Staff Subsidy & Prizes	(17)	(17)	0
Scholarship Subvention Awards	(786)	(786)	-
Match Funding Awards	(377)	(361)	16
Support Services (Annex A)	(634)	(720)	(86)
Capital Charges - Depreciation (Annex A)	(294)	(294)	-
Total Expenditure before transfers	(16,516)	(16,678)	(162)
TOTAL NET INCOME BEFORE TRANSFERS	1,542	1,502	(40)
TRANSFERS TO RESERVES			
Repairs, Maintenance & Improvements Fund	(991)	(991)	-
Information Technology	(266)	(266)	-
Retirement	(22)	(22)	-
Organ Replacement	(10)	(10)	-
Grove Park Sports Reserve	(10)	(10)	-
Capital Reserve	(350)	(310)	40
Total Transfers	**(1,649)**	**(1,609)**	**40**
TOTAL NET INCOME AFTER TRANSFERS	**(107)**	**(107)**	-
General Reserve Balance b/forward 1 April	**607**	**607**	**-**
General Reserve Balance c/forward 31 March	**500**	**500**	**-**

Notes

(i) Other income – includes income from retained deposits; facilities hire and interest earned.

(ii) Premises Related Expenses - includes energy costs, rates, water services, cleaning and domestic supplies.

(iii) Supplies and Services - includes catering, 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 £754,000 for 2017/18, with any excess transferred to the Capital Reserve Fund. The balance reduced during 2017-18 from £607,000 to £500,000, partly as a result of a transfer of £310,000 to the School's Capital Reserve towards restoring Capital Reserve to the historic level of £1.5m by 2020/21. The budgeted transfer was higher at £350,000 but this was not possible due to the overall unfavourable variance of £40,000 on the other budget headings.

3. The main reasons for these variations, which are summarised in Table 1 and result in a reduction in net income of £40,000, were:

Higher expenditure of £162,000 mainly due to:

i) An increase in employee costs of £153,000, of which £60,000 relates to an increase in teaching staff in the Mandarin department, £50,000 is for two additional members of security staff due to the increased risk of terrorism and £40,000 is for an increase in support staff for administration;

ii) An uplift in Support Services costs of £86,000, largely offset by the additional City Support income noted below;

Partly offset by:

iii) an underspend on premises related expenses of £67,000 due to a number of variations across premises budgets, but mainly due to a reduction in sport centre rental costs of £33,000 due to lower use.

Additional income of £122,000, principally as a result of:

iv) An increase in City Support of £58,000;

v) higher than anticipated registration fee income of £27,000 due to continued strong demand from prospective parents;

vi) higher than budgeted bookshop income of £27,000 due to strong demand from departments;

Partly offset by:

vii) a marginal reduction in tuition fee income of £24,000 due to a small number of pupils leaving the School early.

Unrestricted, Designated and Restricted Funds

4. A summary of unrestricted, designated and restricted funds showing the movements in 2017/18 is attached at Annex B. Total funds have increased by £328,343 from £2,396,912 to £2,725,255 at 31 March 2018. The main movements were as follows:

i) Unrestricted Fund net income, before transfers, of £1,502,096 as detailed in Annex B, which was used to partly offset expenditure charged to the designated and restricted funds as follows:

ii) planned expenditure from the Repairs and Maintenance Fund of £1,022,778 in accordance with the agreed programme of works offset by interest of £2,643;

iii) planned expenditure from the Information Technology (IT) Fund of £138,555;

iv) expenditure from the Self Funded Bursary Fund of £103,308, partly offset by income of £66,658 and interest of £2,350;

v) net income of £43,057 to the External Scholarships Fund;

vi) net expenditure of £37,761 against the Bookshop Fund as a result of a transfer to reduce the deficit against the running of this facility;

vii) net expenditure of £29,429 for early retirements;

viii) donations of £21,164 against Other Match Funds; and

ix) income of £19,662 against Grove Park Sports Reserve including £8,580 for the Go Mammoth Summer Term 2017 dinner and £7,200 for the hire of the facilities.

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Annex A

CITY SUPPORT

City Support	**Budget 2017/18 £000**	**Actual 2017/18 £000**	**Variation Better/ (Worse) 2017/18 £000**
Scholarships			
General (note i)	786	786	-
2.5% Match Funding (note ii)	377	361	16
Total Scholarships	**1,163**	**1,147**	**16**
Support Services			
Information Systems	52	60	(8)
Chamberlain	75	86	(11)
Comptroller & City Solicitor	2	9	(7)
Town Clerk	114	111	3
City Surveyor	31	72	(41)
Corporate & Democratic Core (CDC)	19	38	(19)
Staff Insurance	48	39	9
Total Support Services	**341**	**415**	**(74)**
Capital Charges – Depreciation	**294**	**294**	**-**
Other support and adjustments			
City Procurement savings/(costs) (note iii)	16	16	-
London Living Wage - Catering (note iv)	22	22	-
London Living Wage - Cleaning (note v)	71	71	-
Service Based Review Savings (note vi)	(109)	(109)	-
Printing Administration Reduction	(1)	(1)	-
Employers' Pension Fund 3.5% Increase (note vii)	52	52	
Total other support and adjustments	**51**	**51**	**-**
TOTAL CITY SUPPORT	**1,849**	**1,907**	**(58)**

Notes:

i) City's Cash finances the equivalent of 48 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.

Annex A

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. 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 catering contract was awarded to Holroyd Howe Ltd 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 £22,000 to the full annual cost. To ensure that the School is not financially disadvantaged, £22,000 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, the City's Support has been increased.

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 £109,000, excluding additional income from increases in tuition fees, for the City of London School. These proposals were phased £87,000 in 2015/16 with an additional £22,000 in 2016/17.

vii) Employer's Pension Fund contributions increased by 3.5% in 2017-18. The School has been reimbursed £52,000 for increased costs.

Annex A

SUPPORT SERVICES AND CAPITAL FINANCING CHARGES

Support Services and Capital Financing Charges	Budget 2017/18 £000	Actual 2017/18 £000	Variation Better/ (Worse) 2017/18 £000
Support Services			
Information Systems (IS)	(52)	(60)	(8)
Chamberlain	(75)	(86)	(11)
Comptroller & City Solicitor	(2)	(9)	(7)
Town Clerk	(114)	(111)	3
City Surveyor	(31)	(72)	(41)
Corporate & Democratic Core (CDC)	(19)	(38)	(19)
Staff Insurance	(48)	(39)	9
Other Insurance	(69)	(64)	5
City Surveyor's Employee Recharge	(158)	(146)	12
CLPS Staff	(66)	(95)	(29)
Support Services Sub-Total	**(634)**	**(720)**	(86)
Capital Charges – Depreciation	**(294)**	**(294)**	-
TOTAL SUPPORT SERVICES AND CAPITAL FINANCING CHARGES	**(928)**	**(1,014)**	**(86)**