

<b>Committee:</b>	<b>Date:</b>	
Board of Governors City of London Freemen's School	Monday, 5 October 2015	
<b>Subject:</b> Revenue Outturn 2014/15		<b>Public</b>
<b>Joint report of:</b> The Chamberlain and the Headmaster		<b>For Information</b>

### Summary

Total net income for 2014/15 was £1,982,000 compared to a budgeted position of £1,852,000 - representing an increase in net income of £130,000 (7%). This better than budget position was mainly due to reductions in premises related expenses of £220,000, partly offset by an increase in supplies and services expenditure of £78,000 as a result of the purchase of additional Music equipment following the opening of the new Music School.

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 £627,000 for 2014/15, with any excess transferred to the Capital Reserve Fund. In accordance with these guidelines the transfer to the Capital Reserve was £1,963,000.

Following this transfer, and after taking account of the planned expenditure funded from the reserve during the year (including the repayment of the internal loan of £284,417 provided by the City for the balance of funding for Phase 1 of the Masterplan), the balance in the Capital Reserve Fund as at 31 March 2015 was £758,471 (31 March 2014: £nil having been utilised in full as planned towards the funding of Phase 1 of the Masterplan).

### **Recommendations**

It is recommended that this revenue outturn report for 2014/15 is noted.

### Main Report

#### **2014/15 Revenue Budget Position compared to Outturn**

1. Overall, net revenue income for 2014/15 was £1,982,000 compared to an agreed net income budget of £1,852,000, representing an increase in net income of £130,000. 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
	2014/15 £'000	2014/15 £'000	2014/15 £'000
<b>EXPENDITURE</b>			
Employees	7,810	7,799	(11)
Premises Related Expenses (note i)	1,579	1,359	(220)
Transport Related Expenses (note ii)	77	83	6
Supplies & Services (note iii)	1,914	1,992	78
Staff Subsidy	233	221	(12)
Scholarship Subvention Awards	493	493	-
Match Funding Awards	29	27	(2)
Support Services (Annex A)	669	638	(31)
Capital Charges (Annex A)	1,411	1,411	-
<b>Total Expenditure</b>	<b>14,215</b>	<b>14,023</b>	<b>(192)</b>
<b>INCOME</b>			
School Meals and Tuck Shop	(408)	(388)	20
School tuition fees	(12,257)	(12,252)	5
Other tuition fees	(233)	(220)	13
Boarding fees	(491)	(471)	20
Registration and Examination fees	(169)	(156)	13
Other (note iv)	(222)	(260)	(38)
City Support (Annex A)	(2,287)	(2,258)	29
<b>Total Income</b>	<b>(16,067)</b>	<b>(16,005)</b>	<b>62</b>
<b>TOTAL NET INCOME BEFORE TRANSFER TO CAPITAL RESERVE</b>	<b>(1,852)</b>	<b>(1,982)</b>	<b>(130)</b>
Transfer To Capital Reserve	1,892	1,963	71
<b>TOTAL NET EXPENDITURE/ (INCOME) AFTER TRANSFER TO CAPITAL RESERVE</b>	<b>40</b>	<b>(19)</b>	<b>(59)</b>
<b>BALANCE B/FWD 1 APRIL</b>	<b>(608)</b>	<b>(608)</b>	<b>-</b>
<b>BALANCE C/FWD 31 MARCH</b>	<b>(568)</b>	<b>(627)</b>	<b>(59)</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, rent, and interest.

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 £627,000 for 2014/15, with any excess transferred to the Capital Reserve Fund. In accordance with these guidelines, and the planned contribution required for the future funding of the Masterplan, the budget assumed a transfer to the Capital Reserve Fund of £1,892,000. However, due to the school benefiting from additional net income during the year, the transfer to the Capital Reserve was increased to £1,963,000 in accordance with the guidelines.
3. Following this transfer, and after taking account of the planned expenditure funded from the reserve during the year (including the repayment of the internal loan of £284,417 provided by the City for the balance of funding required at 31 March 2014 towards funding of Phase 1 of the Masterplan), the balance in the Capital Reserve Fund as at 31 March 2015 was £758,471 (31 March 2014: £nil having been utilised in full as planned towards the funding of Phase 1 of the Masterplan).
4. The main reasons for the variations summarised in Table 1, resulting in additional net income of £130,000, were:-

Lower expenditure of £192,000 mainly due to:-

- i) premises related expenditure of £220,000 which comprised;
  - rates of £117,000 due to the delay in completion of the new Music School and a refund in relation to other premises;
  - energy costs of £60,000 as a result of lower fuel costs; and
  - cleaning of £31,000 as provision for the new Music School and Boarding House was greater than required;
- ii) an increase in supplies and services expenditure of £78,000 mainly due to additional equipment, furniture and materials of £88,000 for the Music Department as a result of the new Music School being opened in September 2014; and
- iii) a reduction in support services of £31,000 as a result of the latest assessment of time spent on support services by departments. This is largely offset by a corresponding reduction in City Support of £29,000 as detailed at vi) below.

A decrease in income of £62,000, the main elements of which were:-

- iv) small reductions totalling £71,000 across a number of income headings including fees and charges for tuition, boarding, meals, registrations and examinations;
- v) an increase in other income of £38,000 largely due to additional lettings during the summer recess; and
- vi) a reduction in City Support of £29,000 principally offsetting the fall in support services expenditure of £31,000 as detailed at iii) above.

5. 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**

6. A summary of unrestricted, designated and restricted funds showing the movements in 2014/15 is attached at Annex B. As planned, total funds have increased - by £824,000 from £3,681,000 to £4,505,000. The main movements are within designated funds as follows:-

- i) an increase in the Capital Reserve Fund of £758,000 due to the planned contribution from revenue of £1,963,000 for future continued funding of the Masterplan offset by expenditure of £1,205,000 comprising:-
  - £609,000 on funding the Masterplan Phase 1 works (boarding house and music centre);
  - £312,000 on preliminary costs relating to the Masterplan Phase 2 (Swimming Pool and Main House); and
  - £284,000 in relation to the repayment of the internal loan that was provided by City's Cash during 2013/14.
- ii) an increase in the Charitable Donations Fund of £21,000 following the transfer of school deposit income for places that were not accepted.
- iii) an increase in the Repairs & Maintenance Fund of £16,000. This was due to the agreed contribution from revenue of £390,000 and interest earned of £18,000 partly offset by the planned expenditure of £392,000 in accordance with the agreed programme of works.
- iv) income on the Foundation Bursary Fund of £56,000, (received from freedom ceremonies) exceeding the £43,000 expenditure from the fund.

7. Two new funds were established during the year as follows:-

- i) the Music Concert Series, that had an overdrawn balance of £385 as at 31 March 2015 and which will be cleared in the current year. This was set up to service Music at Ashtead Park – a concert series by professional Musicians utilising the new Music School; and
- ii) the Comenius Project Fund, which had a balance of £4,099 as at 31 March 2015. This was established in order to receive funds from the Institute of Education to fund academic work which is being undertaken by a member of City of London Freemen's School teaching staff on their behalf, and from which related expenses are recouped.

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

	<b>Budget</b>	<b>Actual</b>	<b>Variation Increase/ (Decrease)</b>
	<b>2014/15 £'000</b>	<b>2014/15 £'000</b>	<b>2014/15 £'000</b>
<b>Support Services and Capital Charges</b>			
Information Systems (IS)	128	122	(6)
Staff Insurance	52	58	6
Other Insurance	57	57	-
Chamberlain	75	73	(2)
Comptroller & City Solicitor	13	11	(2)
Town Clerk	113	89	(24)
City Surveyor	40	41	1
Corporate & Democratic Core (CDC)	28	28	-
City of London Procurement Service	67	68	1
City Surveyor's Employee Recharge	96	91	(5)
Capital Financing Costs	1,411	1,411	-
<b>TOTAL SUPPORT SERVICES AND CAPITAL CHARGES</b>	<b>2,080</b>	<b>2,049</b>	<b>(31)</b>

<b>City Support</b>			
<b>Scholarships</b>			
General - see note i	(493)	(493)	-
2.5% Match Funding - see note ii	(29)	(27)	2
<b>Total Scholarships</b>	<b>(522)</b>	<b>(520)</b>	<b>2</b>
<b>Support Services and Capital Charges</b>			
Information Systems	(128)	(122)	6
Staff Insurance	(52)	(58)	(6)
Support Services	(269)	(242)	27
Capital Financing Costs	(1,375)	(1,375)	-
<b>Total Support Services and Capital Charges</b>	<b>(1,824)</b>	<b>(1,797)</b>	<b>27</b>
<b>Other</b>			
Listed Building Subvention	(48)	(48)	-
City Procurement savings - see note iii	107	107	-
<b>Total Other</b>	<b>59</b>	<b>59</b>	<b>-</b>
<b>TOTAL CITY SUPPORT</b>	<b>(2,287)</b>	<b>(2,258)</b>	<b>29</b>

## **SUPPORT SERVICES, CAPITAL CHARGES AND CITY SUPPORT**

### Notes:

- i) 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.
- 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 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 City Procurement savings will be offset by a reduction in income through the City's Support. Should a contract procured by the City Procurement 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.