

Committee(s):	Date(s):
Board of Governors City of London Freeman's School	3 October 2016
Subject: Revenue Outturn 2015/16	Public
Report of: The Chamberlain The Headmaster	For Information
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Summary

The net income for 2015/16, before transfers to reserves, was £2,322,000 compared to a budgeted position of £2,395,000 - representing a reduction in net income of £73,000 (3%) as shown in the table below.

	Budget 2015/16	Actual 2015/16	Variation Better/ (Worse) 2015/16	Variance explanation at report paragraph
	£'000	£'000	£'000	
Income	16,130	16,112	(18)	3 i) - 3 iv)
Expenditure	(13,735)	(13,790)	(55)	3 v) - 3 vii)
Total net income BEFORE transfers	2,395	2,322	(73)	
<u>Transfers to reserves</u>				
Vehicle replacement fund	(25)	(25)	0	
Repairs & Maintenance	(390)	(390)	0	
Capital reserve fund	(1,961)	(1,961)	0	
Total transfers	(2,376)	(2,376)	0	
Total net income/ (expenditure) AFTER transfers	19	(54)	(73)	
General Fund Bal. b/fwd 1 April	627	627	0	
General Fund Bal. c/fwd 31 March	646	573	(73)	

The 2002 funding guidelines report recommended that the School's General Reserve Fund balance should not exceed 5% of the original estimate of fee income equating to £646,000 for 2015/16, with any excess transferred to the

Capital Reserve Fund. Due to the School's anticipated future capital 'Masterplan' requirements, £1,961,000 was set aside in 2015/16 and transferred to the Capital Reserve Fund. After this transfer the School's General Reserve Fund balance was £573,000 at the year end, which was below the 5% threshold.

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 2016 was £2,023,780 (2014/15: £758,471).

Total School funds, including the Capital Reserve Fund, as at 31 March 2016 amounted to £5,462,109 as detailed in Annex B (£4,504,852 as at 31 March 2015), which represents an increase of £957,257 as detailed at paragraph 4 to this report.

Recommendation

It is recommended that this revenue outturn report for 2015/16 is noted.

Main Report

2015/16 Budget Position compared to Revenue Outturn

1. Overall, net income before transfers for 2015/16 was £2,322,000 compared to an agreed net income budget of £2,395,000, representing a reduction in net income of £73,000. 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 FREEMENS SCHOOL

Analysis of Service Expenditure	Budget	Actual	Variation (Better)/ Worse
	2015/16 £'000	2015/16 £'000	2015/16 £'000
INCOME			
School Meals & Tuck Shop	424	402	(22)
School tuition fees	12,735	12,724	(11)
Other tuition fees	248	221	(27)
Boarding Fees	482	494	12
Registration and Examination fees	143	166	23
Other (note i)	343	378	35
City Support (Annex A)	1,755	1,727	(28)
Total Income	16,130	16,112	(18)
EXPENDITURE			
Employees	(7,923)	(8,061)	(138)
Premises Related Expenses (note ii)	(1,189)	(1,160)	29
Transport Related Expenses	(58)	(62)	(4)
Supplies & Services (note iii)	(2,090)	(2,054)	36
Staff Subsidy & Prizes	(199)	(207)	(8)
Scholarship Subvention Awards	(512)	(512)	0
Match Funding Awards	(40)	(21)	19
Support Services (Annex A)	(591)	(580)	11
Capital Charges (Annex A)	(1,133)	(1,133)	0
Total expenditure before transfers	(13,735)	(13,790)	(55)
TOTAL NET INCOME BEFORE TRANSFERS	2,395	2,322	(73)
TRANSFERS TO RESERVES			
Vehicle Replacement Fund	(25)	(25)	0
Repairs & Maintenance	(390)	(390)	0
Capital Reserve Fund	(1,961)	(1,961)	0
Total transfers	(2,376)	(2,376)	0
TOTAL NET EXPENDITURE AFTER TRANSFERS	19	(54)	(73)
General Fund Bal. b/fwd 1 April	627	627	0
General Fund Bal. c/fwd 31 March	646	573	(73)

Notes

- (i) Other Income – includes income from facilities hire, catered events, Freedom fees and interest earned.
- (ii) Premises Related Expenses – includes energy costs, rates, water services, cleaning and domestic supplies.
- (iii) Supplies and Services – includes the soft services contract, equipment, furniture, materials, books, uniforms, printing, stationery, 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 £646,000 for 2015/16, with any excess transferred to the Capital Reserve Fund. Due to the School's anticipated future capital, 'Masterplan', requirements £1,961,000 was set aside in 2015/16 and transferred to the Capital Reserve Fund. After this transfer the School's General Reserve balance was £573,000 at the year end, which was below the 5% threshold. After taking account of planned expenditure financed from the Capital Reserve Fund during the year, the closing balance in the Capital Reserve Fund as at 31 March 2016 was £2,023,780 (31 March 2015: £758,471).
3. The main reasons for the variations summarised in Table 1, resulting in a decrease in net income of £73,000 were:-

Higher expenditure of £55,000 due to:-

- i) additional employee expenses of £138,000 which mainly relates to:
 - an overspend on part-time teachers of £153,000, including employers on-costs, due to additional temporary cover required for:-
 - English - this comprised maternity cover plus some additional tuition to assist pupils in GCSE English in order to improve results;
 - Chemistry - the new Head of Department was unable to commence her employment until January 2016, resulting in a temporary requirement for the Autumn 2015 term;
 - Electronics - the Head of Department left in July 2015 and cover was required to the end of the course;
 - Art - there was a staff shortage in this subject as the school were unable to recruit for September 2015;
 - Maths - the new permanent member of staff was unable to start her contract until January 2016; and
 - the employment of GAP students for the Spring term, to cover the period between the 2015 GAP students finishing in December and Graduate Assistants (who will replace GAP students) starting in the 2016/17 academic year.
 - indirect employee expenses being £35,000 higher than expected due mainly to additional recruitment advertising of £12,000 for the Head of Boarding and Graduate Assistant posts; tribunal awards of £9,000 awarded as part of a compromise agreement; police checks of £7,000, representing the second year of transferring existing Criminal Records Bureau (CRB) checks over to the new Disclosure and Barring Service (DBS) system; and counselling expenses of £5,000 following an increase in pupil referrals;

- additional temporary staff costs of £26,000 following the requirement to cover the departure of the Registrar in June 2015 with consultants ISQ (as reported to the Board of Governors at its meeting of 5 October 2015); partly offset by
 - an underspend in full time teachers costs of £84,000, including employers on costs, due to the maternity cover and temporary staffing requirements as detailed above.
- ii) a reduction in Supplies & Services expenditure of £36,000 mainly due to a fall in the requirement for equipment, furniture and materials of £32,000 across various school departments;
 - iii) a reduction in Premises related expenses of £29,000, principally due to the back dated saving of the rates bill attributable to the old swimming pool, following the rateable value review undertaken by the City's consultants;
 - iv) match funding awards being £19,000 below budget as a result of the school not achieving the desired level of external donations (which the City Match funds up to a cap of 2.5% of tuition fee income), coupled with a reduction in the cost of support services of £11,000.

A decrease in income of £18,000, comprising:

- v) small reductions in tuition fees and small meals income totalling £60,000;
- vi) a reduction in City support of £28,000 largely offsetting the fall in match funding and support services expenditure at iv) above, partly offset by;
- vii) increased income from boarding fees, registration and examination fees and other income (principally due to four catered events that which were not anticipated in the budget) totalling £70,000.

Unrestricted, Designated and Restricted Funds

4. A summary of unrestricted, designated and restricted funds, showing the movements in 2015/16, is attached at Annex B. Total funds have increased by £957,257 from £4,504,852 to £5,462,109 at 31 March 2016. The main movements are as follows:-

- i) Unrestricted Fund net income, before transfers, of £2,322,137 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 Capital Reserve Fund of £701,626 comprising the following, offset by interest of £5,936:-
 - £527,715.72 on the Masterplan phase 2a (Swimming Pool);
 - £118,768.11 on the Masterplan phase 1 (Main works);
 - £28,955.50 on the Masterplan phase 1a (Sports Hall); and

- £26,187.06 funding supplementary revenue projects in relation to Main House Phase2: £12,877.50 and swimming Pool phase 2a: £13,309.56.
- iii) planned expenditure from the Repairs & Maintenance Fund of £603,437 in accordance with the agreed programme of works, offset by interest of £12,882; and
- iv) net expenditure, before transfers, of £67,574 from the General Scholarships Fund on following the annual assessment of parental circumstances and student departures, offset by £1,033 interest.

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CITY SUPPORT

<u>City Support</u>	Budget	Actual	Variation Increase/ (Decrease)
	2015/16 £'000	2015/16 £'000	2015/16 £'000
Scholarships			
General (note i)	512	512	0
2.5% Match Funding (note ii)	40	21	(19)
Total Scholarships	552	533	(19)
Support Services			
Information Systems (IS)	82	75	(7)
Chamberlain	65	75	10
Comptroller & City Solicitor	12	7	(5)
Town Clerk	92	91	(1)
City Surveyor	44	39	(5)
Corporate & Democratic Core (CDC)	21	20	(1)
Staff Insurance	56	46	(10)
Total Support Services	372	353	(19)
Capital Charges – Depreciation	1,108	1,108	0
Other support and adjustments			
Listed Building Subvention	49	49	0
City Procurement savings/(costs) (note iii)	(106)	(106)	0
Service Based Review Savings (note vi)	(89)	(89)	0
Freedom Fees (note v)	(131)	(121)	10
Total other support and adjustments	(277)	(267)	10
TOTAL CITY SUPPORT	1,755	1,727	(28)

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.

CITY SUPPORT

- iii) 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.

- iv) 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 £196,000, excluding additional income from increases in tuition fees, for the City of London Freeman's School. These proposals have been phased £89,000 in 2015/16 with an additional £107,000 in 2016/17.

- v) Freedom fees were increased to £100 with effect from 1 April 2015 from £25 for Court of Alderman, Patrimony and Servitude applications, and from £30 for Court of Common Council Applications. All the income from Freedom ceremonies is allocated to the School. However, the Court of Common Council agreed that a sum equivalent to the additional income generated from the increase should be transferred from the School to the corporate centre. This transfer is made through a reduction to the City Support.

SUPPORT SERVICES AND CAPITAL FINANCING CHARGES

<u>Support Services and Capital Financing Charges</u>	Budget	Actual	Variation Increase/ (Decrease)
	2015/16 £'000	2015/16 £'000	2015/16 £'000
Support Services			
Information Systems (IS)	(82)	(75)	7
Chamberlain	(65)	(75)	(10)
Comptroller & City Solicitor	(12)	(7)	5
Town Clerk	(92)	(91)	1
City Surveyor	(44)	(39)	5
Corporate & Democratic Core (CDC)	(21)	(20)	1
Staff Insurance	(56)	(46)	10
Other Insurance	(56)	(60)	(4)
City Surveyor's Employee Recharge	(101)	(105)	(4)
CLPS Staff	(62)	(62)	0
Support Services Sub-Total	(591)	(580)	11
Capital Financing Costs	(1,133)	(1,133)	0
TOTAL SUPPORT SERVICES AND CAPITAL FINANCING CHARGES	(1,724)	(1,713)	11

