

<b>Committee(s):</b>	<b>Date(s):</b>
Board of Governors of the City of London School for Girls	10 October 2016
<b>Subject:</b> Draft annual Report and Financial Statements 2015/16 of The City of London School for Girls Bursary Fund incorporating The City of London School for Girls Scholarships & Prizes Fund	<b>Public</b>
<b>Report of:</b> The Chamberlain The Headmistress	<b>For Decision</b>
<b>Report author(s):</b> Sarah Port, Chamberlain's Department Alan Bubbear, Bursar	

### Summary

This report provides Governors with the draft Annual Report and Financial Statements for the year ended 31 March 2016 of The City of London School for Girls Bursary Fund (charity 1) incorporating The City of London School for Girls Scholarships & Prizes Fund (charity 2) for information.

Total income for the year amounted to £565,685 (2014/15: £669,303) and expenditure totalled £802,418 (2014/15: £707,650), resulting in an operating deficit of £236,733 (2014/15: an operating deficit of £38,347). This deficit combined with a net loss in the value of investments during the year of £219,452 (2014/15: net gain of £233,460), led to an overall decrease in funds of £456,185 (2014/15: increase of £195,113) to £3,463,206.

The operating deficit in 2015/16 led to a fall in cash balances of £203,694, from £269,705 as at 31 March 2015 to £66,011 as at 31 March 2016.

As income in any year tends to lag behind expenditure, a 'working cash balance' is required to ensure that cash is not overdrawn during the year which would incur interest charges. Cashflow has been analysed over the last three years which has revealed that a 'working cash balance' of £336,827 was required to avoid being overdrawn. Given that cash reduced to £66,011 as at 31 March 2016, Governors are asked to consider whether a drawdown of Charities Pool units should be made to generate £309,000 in order to increase 'the working cash balance' to say £375,000. In addition, the latest projection of income and expenditure for the current year 2016/17 shows net expenditure of £107,000, which would also need to be funded from a drawdown of Charities Pool units if the 'working cash balance' is to be maintained at £375,000.

To generate the required increase in cash of £416,000 (£309,000 plus £107,000) approximately 53,402 Charities Pool Units would need to be sold (£7.79 per unit as at 31 March 2016). It should be noted that this sale would subsequently result in an estimated future loss of future investment income of £16,085 based on the average return for the prior two years of £30.12 per unit.

The City of London School for Bursary Fund incorporating The City of London School for Girls Scholarships and Prizes Fund held a total of 466,921 Charities Pool units as at 31 March 2016 with a total market value of £3,637,315. The above potential sale of 53,402 units represents 11% of the total holding as at 31 March 2016, and would reduce the overall holding to 413,519 units valued at £3,221,313 based on the market valuation of £7.79 per unit as at 31 March 2016.

The School is currently reviewing the number and value of bursary awards to ensure that expenditure matches income in future years and to avoid the need for a future drawdown from charity pool investments.

## **Recommendations**

It is recommended that Governors:

- receive the draft Annual Report and Financial Statements of The City of London School for Girls Bursary Fund incorporating The City of London School for Girls Scholarships and Prizes Fund for the year ended 31 March 2016 for information;
- consider whether a drawdown of Charities Pool Units should be made to generate cash of £416,000 to fund a projected net expenditure in 2016/17 of £107,000, and to add £309,000 to the charity's 'working cash balance', which would increase it from £66,011 as at 31 March 2016 to £375,000 to avoid cash becoming overdrawn at any point during a normal year which sees income lag behind expenditure; and
- note that the School will be considering the appropriate number and value of future bursary awards to ensure that expenditure and income are balanced in future years.

## **Main Report**

### **Draft Annual Report and Financial Statements for the year ended 31 March 2016**

1. The draft Annual Report and Financial Statements for the year ended 31 March 2016 of The City of London School for Girls Bursary Fund (charity 1) incorporating The City of London School for Girls Scholarships & Prizes Fund (charity 2) are attached for information.
2. The governing scheme approved by the Charity Commission for England and Wales on 1 December 2011 directs that The City of London School for Girls Scholarships & Prizes Fund (charity number: 276251-5) shall be treated as forming part of The City of London School for Girls Bursary Fund (charity number: 276251) solely for the purpose of Part II (registration) and Part VI (accounting) of the Charities Act 2011.
3. During the year ended 31 March 2016 total funds decreased by £456,185 to £3,463,206 (2014/15: total funds increased by £195,113 to £3,919,391). This movement comprised the following:-

- i) income of £565,685 (2014/15: £669,303) relating to voluntary income of £427,877 (2014/15: £526,216) and investment income and interest of £137,808 (2014/15: £143,087);
- ii) expenditure of £802,418 (2014/15: £707,650) comprising 63 bursary awards (2014/15: 58 bursary awards) of £740,653 (2014/15: £654,816); 4 scholarships & prizes (2014/15: 4 scholarships and prizes) of £61,164 (2014/15: £52,533); and bursary support costs of £601 (2014/15: £301); and
- iii) a net loss on the value of investments of £219,452 (2014/15: a net gain of £233,460).

### **Cash Available as at 31 March 2016**

4. The operating deficit (before the loss on investments) was £236,733. This has led to cash resources reducing to £66,011 as at 31 March 2016 (31 March 2015: £269,705).
5. As income in any year tends to lag behind expenditure, without a 'working cash balance' the fund would be overdrawn for much of the year and incur interest charges. Cashflow has been analysed over the last three years which has revealed that a 'working cash balance' of £336,827 was required to avoid being overdrawn at any point during that period.
6. Given that cash reduced to £66,011 as at 31 March 2016, Governors are asked to consider whether a drawdown of Charities Pool units should be made to increase 'the working cash balance' to say £375,000, which is considered an appropriate level.
7. In addition, the latest projection of income and expenditure for the current year 2016/17 shows net expenditure of £107,000, which would also need to be funded from a drawdown of Charities Pool units is the 'working cash balance' is to be maintained at £375,000.
8. To generate the required increase in cash of £416,000 (£309,000 plus £107,000) approximately 53,402 Charities Pool Units would need to be sold (£7.79 per unit as at 31 March 2016). It should be noted that this sale would subsequently result in an estimated future loss of future investment income of £16,085 based on the average return for the prior two years of £30.12 per unit.
9. The City of London School for Bursary Fund incorporating The City of London School for Girls Scholarships and Prizes Fund held a total of 466,921 Charities Pool units as at 31 March 2016 with a total market value of £3,637,315. The above potential sale of 53,402 units represents 11% of the total holding as at 31 March 2016, and would reduce the overall holding to 413,519 units valued at £3,221,313 based on the market valuation of £7.79 per unit as at 31 March 2016.
10. Interest on cash balances was 0.611% for 2015/16 (2014/15: 0.889%) and is estimated to be less than 0.5% in the current year).
11. Income and expenditure over the past three years is detailed in the table below. To ensure that the expenditure matches income in future years and to avoid the need for a future drawdown from charity pool investments, the school is reviewing the number and value of future bursary awards.

<b>The City of London School for Girls Bursary Fund incorporating The City of London School for Girls Scholarships &amp; Prizes Fund</b>			
	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Income	565,685	669,303	660,095
Expenditure	802,418	707,650	713,790
<b>Net Income/(Expenditure)</b>	<b>(236,733)</b>	<b>(38,347)</b>	<b>(53,695)</b>
Cash Balance	66,011	269,705	316,880

**Contacts:**

Chamberlain's: Sarah Port, Senior Accountant

Tel: 020 7332 1080

[sarah.port@cityoflondon.gov.uk](mailto:sarah.port@cityoflondon.gov.uk)

City of London School for Girls: Alan Bubbear, Bursar

Tel: 020 7847 5524

[BURSAR@clsq.org.uk](mailto:BURSAR@clsq.org.uk)