

Committee(s):	Date(s):
Board of Governors of City of London School	17 October 2016
Subject: The City of London School Bursary Fund incorporating The City of London School Scholarships & Prizes Fund - Annual Report and Financial Statements for the year ended 31 March 2016	Public
Report of: The Chamberlain	For Decision
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Summary

This report provides Governors with a copy of the draft 2015/16 Annual Report and Financial Statements for The City of London School Bursary Fund (charity 1) incorporating The City of London School Scholarships & Prizes Fund (charity 2) for information. It also provides an opportunity to consider whether part of the cash balance of £626,381 as at 31 March 2016 should be invested in the City of London Charities Pool.

The governing scheme approved by the Charity Commission for England and Wales on 1 December 2011 directs that The City of London School Scholarships & Prizes Fund (charity number: 276654-1) shall be treated as forming part of The City of London School Bursary Fund (charity number: 276654) solely for the purpose of Part II (registration) and Part VI (accounting) of the Charities Act 2011.

During the year ended 31 March 2016 total funds decreased by £29,214 to £3,454,511 (2014/15: total funds increased by £243,688 to £3,483,725). This movement comprised the following:-

- i) a net loss on the value of investments of £171,156 (2014/15: a net gain of £182,080);
- ii) expenditure of £46,919 (2014/15: £73,957) comprising 306 scholarship and prizes amounting to £21,116 (2014/15: 295 scholarship and prizes amounting to £43,042); 2 bursary awards amounting to £22,329 (2014/15: 2 bursary awards amounting to £21,470); contributions to school uniforms and trip expenses totalling £3,180 (2014/15: £9,445); and bursary support costs totalling £294 (2014/15: £nil); offset by
- iii) income of £188,861 (2014/15: £135,565) relating to voluntary income of £77,489 (2014/15: £20,280) and investment income and interest of £111,372 (2014/15: £115,285).

Recommendations

It is recommended that Governors:

receive the draft Annual Report and Financial Statements for the year ended 31 March 2016 for information; and

consider whether to invest part of the available cash balance of £626,381 in the City of London Charities Pool. The suggested investment is £502,746, which would leave an operating cash balance of £123,635, based on the highest level of annual expenditure over the past 5 years.

Cash Available as at 31 March 2016

- The total cash balance held as at 31 March 2016 was £626,381 (2014/15: £487,938) and Governors are asked to consider investing some of this cash in the City of London Charities Pool to provide an opportunity to earn potentially higher returns than interest on cash balances (0.611% for 2015/16 and estimated to be less than 0.5% in the current year).

Charities Pool

- The Charities Pool (the Pool) is governed by a Scheme approved by the Charities Commission and the investments are managed by Artemis Investment Management LLP and monitored by the City's Financial Investment Board. The Pool offers small charities the opportunity to obtain better returns than could generally be achieved if investments were made individually. The value of the Pool as at 31 March 2016 was £21.7M (2014/15: £22.7M). The investment policy of the Charities Pool is to seek an absolute return over the long term in order to provide for the outlay to meet the needs of the charities, whilst preserving the fund's capital base in real terms. In pursuance of this objective, the City Corporation has adopted an investment strategy using bonds, equities and cash.

Charities Pool Performance to 31 March 2016

- Performance of the Pool is measured against the fund manager benchmark (FTSE All Share Index). In addition, the performance of the Pool is also measured against its peer group using the WM Charity Universe (ex-property).

The table below shows the performance of the Pool compared to the benchmark (FTSE All share) and its peer group (Charity Universe). For the year to 31 March 2016 the Pool achieved a return of -1.1% compared to the FTSE All Share Index return of -3.9%. The Pool also outperformed the FTSE All Share Index over 3, 5 and 10 year time periods. The WM Charity Universe return was -1.0% in the year to 31 March 2016 and the Pool slightly underperformed this by 0.1%. However, as shown in the table, the Pool outperformed the Charity Universe over all time periods over 1 year.

	FTSE All Share %	Charity Universe %	Charities Pool %
1 Year	-3.9	-1.0	-1.1
3 Years	3.7	5.8	7.0
5 Years	5.7	6.7	9.4
10 Years	4.7	5.4	6.9

Potential further investment of available cash in the Charities Pool

- Whilst available cash at the 31 March 2016 amounted to £626,381, it is suggested that sufficient funds be retained to cover one full year's worth of expenditure as an operating balance. The table below shows expenditure for each charity over the past five years. Over this timeframe, the highest level of expenditure occurred in 2013/14 for charity one (£88,145) and 2011/12 for charity two (£35,490). It is suggested that the total of these two years (£123,635) be retained as an operating cash balance with the remainder of £502,746 invested in the Charities Pool.

	2015/16 £	2014/15 £	2013/14 £	2012/13 £	2011/12 £
The City of London School Bursary Fund (charity 1)					
Cash Balance	451,044	391,939	347,227	326,727	456,734
Expenditure	37,654	56,057	88,145	49,657	52,533
The City of London School Scholarships & Prizes Fund (charity 2)					
Cash Balance	175,337	95,999	97,027	-19,044	203,119
Expenditure	9,265	17,900	16,250	18,740	35,490

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