

Committee(s):	Date(s):	Item no.
Board of Governors City of London Freemen's School	Monday, 25 September 2017	
Subject: Revenue Outturn 2016/17		Public
Report of: The Chamberlain The Headmaster		For Information

Summary

The net income for 2016/17, before transfers to reserves, was £2,689,000 compared to a budgeted position of £2,255,000 - representing an increase in net income of £434,000 (19%) as shown in the table below.

	Budget 2016/17 £'000	Actual 2016/17 £'000	Variation Better/ (Worse) 2016/17 £'000	Variance explan- ation at report paragraph
Income	17,282	17,106	(176)	4iv) - 4v)
Expenditure	(15,027)	(14,417)	610	4i) -4iii)
Total net income BEFORE transfers	2,255	2,689	434	
Transfers to reserves				
- Vehicle Replacement Fund	(25)	(25)	-	
- Repairs & Maintenance	(506)	(506)	-	
- Capital Reserve Fund	(1,618)	(2,052)	(434)	
Total transfers	(2,149)	(2,583)	(434)	
Total net income AFTER transfers	106	106	-	
General Fund Bal. b/fwd 1 April	573	573	-	
General Fund Bal. c/fwd 31 March	679	679	-	

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 £679,000 for 2016/17, with any excess transferred to the Capital Reserve Fund. In accordance with these guidelines, the transfer to the Capital Reserve was £2,052,000.

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 2017 was £3,457,807 (2015/16: £2,023,781).

Total School funds, including the Capital Reserve Fund, as at 31 March 2017 amounted to £6,600,027 as detailed in Annex C (£5,465,110 as at 31 March 2016), which represents an increase of £1,134,917 as detailed at paragraph 5 to this report.

Recommendations

It is recommended that this revenue outturn report for 2016/17 is noted.

Main Report

2016/17 Budget Position compared to Revenue Outturn

1. Overall, net income before transfers for 2016/17 was £2,689,000 compared to an agreed net income budget of £2,255,000, representing an increase in net income of £434,000 (19%). 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			
	Budget	Actual	Variation
Analysis of Service Expenditure	2016/17	2016/17	Better/ (Worse)
	£'000	£'000	2016/17
			£'000
INCOME			
School Meals & Tuck Shop	508	456	(52)
School tuition fees	13,843	13,724	(119)
Other tuition fees	193	223	30
Boarding Fees	597	542	(55)
Registration and Examination fees	144	157	13
Other	343	332	(11)
City Support (Annex A)	1,654	1,672	18
Total Income	17,282	17,106	(176)
EXPENDITURE			
Employees	(8,794)	(8,642)	152
Premises Related Expenses (note i)	(1,209)	(1,069)	140
Transport Related Expenses	(129)	(133)	(4)
Supplies & Services (note ii)	(2,397)	(2,051)	346
Staff Subsidy & Prizes	(200)	(235)	(35)
Scholarship Subvention Awards	(540)	(540)	-
Match Funding Awards	(41)	(29)	12
Support Services (Annex A)	(591)	(592)	(1)
Capital Charges (Annex A)	(1,126)	(1,126)	-
Total expenditure before transfers	(15,027)	(14,417)	610
TOTAL NET INCOME BEFORE TRANSFERS	2,255	2,689	434
TRANSFERS TO RESERVES			
Vehicle Replacement Fund	(25)	(25)	-
Repairs & Maintenance	(506)	(506)	-
Capital Reserve Fund	(1,618)	(2,052)	(434)
Total transfers	(2,149)	(2,583)	(434)
TOTAL NET EXPENDITURE AFTER TRANSFERS	106	106	-
General Fund Bal. b/fwd 1 April	573	573	-
General Fund Bal. c/fwd 31 March	679	679	-

Notes

- (i) Premises Related Expenses – includes energy costs, rates, water services, cleaning and domestic supplies.
- (ii) Supplies and Services – includes 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 £679,000 for 2016/17, 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 £1,618,000. However, due to the school benefiting from additional net income during the year, the transfer to the Capital Reserve was increased by £434,000 to £2,052,000 in accordance with the guidelines.
3. Following this transfer, and after taking account of the planned expenditure funded from the reserve during the year, the balance in the Capital Reserve Fund as at 31 March 2017 was £3,457,807 (31 March 2016: £2,023,781).
4. The main reasons for the variations summarised in Table 1, resulting in an increase in net income of £434,000 were:-

Lower expenditure of £610,000 largely due to:-

- i) a reduction in Supplies & Services expenditure of £346,000 mainly due to:-
 - a reduced requirement for equipment, furniture and materials of £182,000 as a result of:-
 - a reduction in equipment as i) the initial implementation of the digital strategy was more efficiently managed - £40,000; ii) the Design Technology department received a grant from parents leading to savings of £24,000; iii) the School Sports department improved the maintenance of existing equipment resulting in fewer new purchases saving £23,000; and iv) there were numerous other small monetary value budgeted requests for equipment not being required during the financial year by the staff; and
 - a different approach to the 'City Visit', resulting in a reduced requirement for materials as only two year groups rather than the whole school attended - £14,000.
 - a reduction in catering of £107,000 as a result of staffing efficiencies, fewer trading days and a reduction in the number of staff requiring lunch provision outside of term time; and
 - a reduction in advertising of £33,000 following the successful launch of the new website coupled with a different approach to the Ashtedian publication, that is, a small 10 page document rather than a 100 page book was published.
- ii) lower employee expenses of £152,000 due to a number of variations, with the main contributing factors being:
 - a reduction in administration staff costs of £95,000 as a result of a long term sick issue whereby the member of staff remained on zero pay although their return to work had been anticipated; coupled with delays to the restructure of the Technical Services department which had been budgeted for; and

- a reduction in maintenance staff costs of £72,000 following the delayed appointment of i) the Deputy Facilities Manager as a result of delays obtaining the required grade from the Job Evaluation team, and ii) one of the Maintenance Assistants following the need to advertise twice due to applicant quality.
- iii) a reduction in premises related expenses of £140,000 principally due to a reduction in rates of £88,000 as a result of the Music School rates still not being applied - this is currently being reviewed by the City advisors Gerald Eve; coupled with a reduction in energy costs of £64,000 following the closure of Philp House and a focus on energy efficiency across the School.

A decrease in income of £176,000, the main elements of which were:-

- iv) a reduction in tuition fee income of £119,000 following 6 fewer enrolments than budgeted and the loss of three pupils at Easter; and
- v) a reduction in boarding fees of £55,000 following 5 fewer boarders than budgeted.

Unrestricted, Designated and Restricted Funds

5. A summary of unrestricted, designated and restricted funds, showing the movements in 2016/17, is attached at Annex C. Total funds have increased by £1,134,917 from £5,465,110 to £6,600,027 at 31 March 2017. The main movements are as follows:-
- i) Unrestricted Fund net income, before transfers, of £2,689,036 as detailed in Table 1, which was used to partly offset the net expenditure, excluding transfers, charged to the designated funds, principally as follows:
 - ii) planned expenditure from the Repairs & Maintenance Fund of £910,916 in accordance with the agreed programme of works, offset by interest of £9,283; and
 - iii) planned expenditure from the Capital Reserve Fund of £630,134 on the School's Masterplan and supplementary revenue projects, offset by interest of £12,124.

City of London overall Financial Position and context for the Efficiency and Sustainability Plan

6. The Court of Common Council approved the published Efficiency and Sustainability Plan on the 13th October 2016. This plan focuses on the existing Service Based Review programme which is now nearing completion, other agreed transformation initiatives and developing a framework for continuous efficiency improvement for 2017/18 and later years. This plan needs to be viewed in the context of the overall Medium Term Financial Strategy to have a five year plan with sufficient cashable savings to present a balanced budget for all four funds and adopting an investment approach utilising the headroom to invest in one-off projects such as the Museum of London relocation project and 'bow wave' list of outstanding repairs.

To assist with this context and messaging, a set of core messages on the City of London Corporation's Finances have been developed and are set out in Annex B for members information.

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CITY SUPPORT

<u>City Support</u>	Budget	Actual	Variation Better/ (Worse)
	2016/17 £'000	2016/17 £'000	2016/17 £'000
Scholarships			
General (note i)	540	540	-
2.5% Match Funding (note ii)	41	29	(12)
Total Scholarships	581	569	(12)
Support Services			
Information Systems	84	85	1
Chamberlain	76	90	14
Comptroller & City Solicitor	7	7	0
Town Clerk	93	117	24
City Surveyor	40	26	(14)
Corporate & Democratic Core (CDC)	16	7	(9)
Staff Insurance	46	35	(11)
Total Support Services	362	367	5
Capital Charges	1,101	1,101	-
Other support and adjustments			
Listed Building Subvention	50	50	-
City Procurement savings/(costs) (note iii)	(106)	(106)	-
Service Based Review Savings (note iv)	(196)	(196)	-
Freedom Fees (note v)	(138)	(113)	25
Total other support and adjustments	(390)	(365)	25
TOTAL CITY SUPPORT	1,654	1,672	18

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 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

CITY SUPPORT

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 2016/17 with an additional £107,000 in 2017/18.
- 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 Better/ (Worse)
	2016/17 £'000	2016/17 £'000	2016/17 £'000
Support Services			
Information Systems (IS)	(84)	(85)	(1)
Chamberlain	(76)	(90)	(14)
Comptroller & City Solicitor	(7)	(7)	-
Town Clerk	(93)	(117)	(24)
City Surveyor	(40)	(26)	14
Corporate & Democratic Core (CDC)	(16)	(7)	9
Staff Insurance	(46)	(35)	11
Other Insurance	(74)	(72)	2
City Surveyor's Employee Recharge	(101)	(80)	21
CLPS Staff	(54)	(73)	(19)
Support Services Sub-Total	(591)	(592)	(1)
Capital Financing Charges	(1,126)	(1,126)	-
TOTAL SUPPORT SERVICES AND CAPITAL FINANCING CHARGES	(1,717)	(1,718)	(1)

Efficiency & Sustainability Plan

CORE MESSAGES ON THE CITY OF LONDON CORPORATION'S FINANCES – January 2017

Our aim:

Our funds are there to help the City of London Corporation promote financial, professional and business services, provide excellent public services and support the City, capital and country as a whole.

They must be used economically, efficiently and effectively to maintain the City's underlying infrastructure and services and so we can prioritise paying for initiatives which meet our long-term ambitions.

How we do this:

The City has four funds.

Two of these are paid for by ratepayers and taxpayers:

- City Fund - money used to cover local authority activities in the square mile and beyond.
- Police Fund – the money used to pay for the City of London Police Force

Two are provided at no cost to the taxpayer:

- City's Cash - an endowment fund built up over 800 years and passed from generation to generation used to fund services that benefit London and the nation as a whole.
- Bridge House Estates - the money used to look after five bridges over the Thames with any surpluses being used for charitable purposes and awarded through the City Bridge Trust.

It is a duty on us to make the best use of the resources we have. This can only be done through continually reviewing the economy, efficiency and effectiveness of our services, the outcomes that are achieved and how they meet our long-term ambitions.

Everyone has a role to play in constantly challenging what we do and thinking about how we could do things better.

Are there further cuts being made?

Yes, but only 2% and only to ensure continuous improvement. In 2014, we estimated that due to cuts in government funding City Fund would be facing deficits approaching £11m by 2017/18 so we had to deal with this by scrutinising all our activities in what we called the Service Based Review.

We could, of course, have just made efficiencies in those areas paid out of public funds. But we decided it was not fair or equitable to ask some parts of our organisation to be more efficient and not others.

Proposals totalling £20m in efficiencies/extra income were identified and are well underway to being implemented. Following the completion of the Service Based Review programme, a continuous 2% per annum budget reduction target will be introduced across all our services. Departments will be expected to meet this through efficiency and performance improvements.

Why are we continuing to make budget reductions?

Firstly, we have a duty to ensure the most effective and efficient use of our resources.

Secondly, we continue to have big cost pressures. We live in an historic and ageing City. Many of our properties are deteriorating which requires an increased level of investment, and our IT infrastructure and service needs investment. In addition the City of London Police needs to address the changing nature of policing and the increasing demands placed on the service in the context of increased security threats from terrorism, growing cybercrime and online economic crime and intelligence requirements.

Thirdly, by being economic, efficient and making savings and focusing our efforts where we are most effective we can enhance existing services and pursue new priorities and increasingly ambitious outcomes for the benefit of the City, London and the nation.

Why not utilise the City's Cash fund endowment?

This is money which has been passed down to us over the years, produces income for us and is not to be used lightly as we want to pass it on to future generations to sustain services in the medium to longer term. Its income comes mainly from property and investments and is used to finance activities for the benefit of the City, London and the nation as a whole. Any sale of the underlying investments reduces the ability of the fund to generate income in future years.

The City's Cash budget will be running a deficit over the next three years to allow us to carry out essential investment before returning to a small surplus in 2020/21.

So what does the future look like for these funds?

The financial forward look for two of our funds is relatively healthy but uncertainties remain.

- City Fund: we have been planning for a continuing reduction in government grant and the underlying budget position is robust. We will be using the headroom to invest in essential repairs and maintenance and to fund the building of the new Museum of London to the benefit of all Londoners and the country as a whole.

Annex B

- **City's Cash:** The forecast deficit over the next three years reflects our commitment to carry out essential investment and to support cultural development before returning to a small surplus in 2020/21.
- **Bridge House Estates:** the rising surplus will increase the resources available to the City Bridge Trust for charitable giving across London.
- **The Police Fund:** The underlying financial position remains very challenging with the recent Police core grant settlement marginally lower than anticipated. Additional cost pressures have meant the fund has moved into deficit, utilising the remaining ring fenced reserves in 2016/17 and 2017/18. An interim strategy has been developed and proposed for dealing with the deficit to the end of 2017/18. The Town Clerk, the Chamberlain and the Commissioner, have commissioned a review of the Police operating model, focusing on future demand modelling and how best to secure VFM, to identify options to address the, as yet unfunded, projected deficits of £5.6m in 2018/19 and £3.8m in 2019/20.

What are your total assets?

The City of London Corporation has assets of around £4bn. Income from these assets fund our services and any sale of assets to fund on-going services in the short term would harm our ability to protect services in the medium to longer term. Sale of many of our local authority assets to fund day to day services is also effectively prohibited by Local Government accounting rules.