

Committee(s):	Date(s):	Item no.
Board of Governors of the City of London School	Wednesday, 18 October 2017	
Subject: Revenue Outturn 2016/17		Public
Report of: The Chamberlain The Head		For Information

Summary.

The net income for 2016/17, before transfers to reserves, was £1,462,000 compared to a budgeted position of £1,458,000 - representing an increase in net income of £4,000 (0.3%) as shown in the table below.

	Budget 2016/17 £'000	Actual 2016/17 £'000	Variation Better/ (Worse) 2016/17 £'000	Variance explanatio n at report paragraph
Income	16,910	17,044	134	4i) - 4ii)
Expenditure	(15,452)	(15,582)	(130)	4iii) -4v)
Total net income BEFORE transfers	1,458	1,462	4	
Transfers to reserves				
- Boys Own Scholarships	-	-	-	
- Repairs & Maintenance	(951)	(951)	-	
- Information Technology	(189)	(189)	-	
- Retirement	(32)	(32)	-	
- Organ Replacement	(10)	(10)	-	
- Grove Park Sports Reserve	(10)	(10)	-	
- Capital Reserve	(259)	(263)	(4)	
Total transfers	(1,451)	(1,455)	(4)	
Total net income AFTER transfers	7	7	-	
General Fund Bal. b/fwd 1 April	600	600	-	
General Fund Bal. c/fwd 31 March	607	607	-	

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 £684,000 for 2016/17, with any excess transferred to the Capital Reserve Fund. In light of recent capital works at the School and the aim of restoring the Capital Reserve Fund to its historic level of £1.5m, a transfer of £259,000 to the Capital Reserve Fund was budgeted in 2016/17, thereby resulting in a General Reserve Balance of £607,000, £77,000 below the maximum recommended. The additional net income of £4k as shown in the above table has also been transferred to the Capital Reserve Fund in order to help restore its historic balance.

Following the total transfer of £263,000, 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 £302,022 (2015/16: £925,851).

Total School funds, including the Capital Reserve Fund, as at 31 March 2017 amounted to £2,396,914 as detailed in Annex C (£3,513,064 as at 31 March 2016), which represents a decrease of £1,116,150 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 Revenue Budget Position compared to Outturn

1. Overall, net income before transfers for 2016/17 was £1,462,000 compared to an agreed net income budget of £1,458,000, representing an increase in net income of £4,000. 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 SCHOOL			
Analysis of Service Expenditure	Budget	Actual	Variation Better/ (Worse)
	2016/17 £'000	2016/17 £'000	2016/17 £'000
INCOME			
School tuition fees	14,238	14,247	9
School Meals	421	442	21
Bookshop	145	148	3
Music tuition fees	192	212	20
Registration fees	164	203	39
Examination fees	136	102	(34)
Other (note i)	31	129	98
City Support (Annex A)	1,583	1,561	(22)
Total Income	16,910	17,044	134
EXPENDITURE			
Employees	(9,962)	(10,046)	(84)
Premises Related Expenses (note ii)	(994)	(928)	66
Transport Related Expenses	(212)	(195)	17
Supplies & Services (note iii)	(2,404)	(2,558)	(154)
Staff and Sibling Subsidy	(21)	(23)	(2)
Scholarship Subvention Awards	(738)	(738)	-
Match Funding Awards	(354)	(356)	(2)
Support Services (Annex A)	(621)	(592)	29
Capital Charges - Depreciation (Annex A)	(146)	(146)	-
Total Expenditure before transfers	(15,452)	(15,582)	(130)
TOTAL NET INCOME BEFORE TRANSFERS	1,458	1,462	4
TRANSFERS TO RESERVES			
Boys Own Scholarships	-	-	-
Repairs & Maintenance	(951)	(951)	-
Information Technology	(189)	(189)	-
Retirement	(32)	(32)	-
Organ Replacement	(10)	(10)	-
Grove Park Sports Reserve	(10)	(10)	-
Capital Reserve Fund	(259)	(263)	(4)
Total Transfers	(1,451)	(1,455)	(4)
TOTAL NET INCOME AFTER TRANSFERS	7	7	-
General Fund Bal. b/fwd 1 April	600	600	-
General Fund Bal. c/fwd 31 March	607	607	-

Notes

- (i) Other income – includes income from retained deposits; facilities hire and interest earned.
- (ii) Premises Related Expenses - includes energy costs, rates, water services, cleaning and domestic supplies.
- (iii) Supplies and Services - includes catering, 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 £684,000 for 2016/17, with any excess transferred to the Capital Reserve Fund. However, due to the School's anticipated future capital requirements the budget assumed a transfer to the Capital Reserve Fund of £259,000, resulting in a General Reserve Balance of £607,000, allowing the School to restore its Capital Reserve Fund over the next few years to its historic level of £1.5m. However, due to the school benefiting from additional net income during the year, the transfer to the Capital Reserve was increased by £4,000 to £263,000 in accordance with the above strategy.
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 £302,022 (31 March 2016: £925,851).
4. The main reasons for the variations summarised in Table 1, resulting in an increase in net income of £4,000, were:-

Additional income of £134,000 principally as a result of:-

- i) higher than anticipated other income of £98,000, arising from retained deposits of £70,000 for students who did not join the school and an additional £28,000 income from lettings as a result of the agreed commencement of commercial lets (with sports providers 'Go Mammoth' and other external lets); and
- ii) an increase in registration fees of £39,000 following the continued popularity of the School.

Higher expenditure of £130,000 mainly due to:-

- iii) an increase in supplies and services of £154,000 principally due to an increase in catering costs for school events, security expenses and other IT related equipment costs;
- iv) an increase in employee expenses of £84,000 due to a number of variations, with the main contributing factors including additional part-time and temporary teaching staff, and pre-planned and agreed support staff build-out;

Partly Offset by:

- v) an underspend on premises related expenses of £66,000, including a reduction in energy costs of £42,000, as a result of continued efforts to improve energy efficiency within the school, and a reduction in rent costs of £24,000 due to the PE department no longer using the SCORE sports centre facility.

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 decreased by £1,116,150 from £3,513,064 to £2,396,914 (Annex C) at 31 March 2017. The main movements are as follows:-
- i) Unrestricted Fund net income, before transfers, of £1,461,961 as detailed in Table 1, which was used to partly offset expenditure charged to the designated funds as follows:
 - ii) planned expenditure from the Repairs and Maintenance Fund of £1,403,554 in accordance with the agreed programme of works offset by interest of £4,912;
 - iii) expenditure from the Capital Reserve Fund of £892,367 on the 2016 summer works, including part funding of the Library Refurbishment (£610k) and security Phase 1 (125k), offset by interest of £5,577;
 - iv) planned expenditure from the Information Technology (IT) Fund of £194,615 on various replacements of IT equipment offset by interest of £501; and
 - v) expenditure from the Boys' Own Scholarships Fund of £82,860, offset by income of £12,038 and interest of £3,174.

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

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)	738	738	-
2.5% Match Funding (note ii)	356	356	-
Total Scholarships	1,094	1,094	-
Support Services			
Information Systems	49	36	13
Chamberlain	69	72	(3)
Comptroller & City Solicitor	10	2	8
Town Clerk	104	116	(12)
City Surveyor	38	30	8
Corporate & Democratic Core (CDC)	24	26	(2)
Staff Insurance	50	40	10
Total Support Services	344	322	22
Capital Charges – Depreciation	146	146	-
Other support and adjustments			
City Procurement savings/(costs) (note iii)	16	16	-
London Living Wage - Catering (note iv)	22	22	-
London Living Wage - Cleaning (note v)	71	71	-
Service Based Review Savings (note vi)	(109)	(109)	-
Printing Administration Reduction	(1)	(1)	-
Total other support and adjustments	(1)	(1)	-
TOTAL CITY SUPPORT	1,583	1,561	22

Notes:

- i) City's Cash finances the equivalent of 48 full fee scholarships per annum.
- 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.

Annex A

- iii) As a result of new contracts procured by City Procurement, expenditure by City Schools should be reduced. However, such savings are intended 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 contract savings will be offset by a reduction in income through the City's support. Should a contract procured by the City Procurement 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 City of London School catering contract was awarded to Holroyd Howe Ltd for three years from 1 September 2013. Excluding the London Living Wage (LLW), costs would have remained broadly in line with the previous contract. However, in accordance with the City of London Corporation's policy on the LLW, all tenderers also quoted prices inclusive of LLW, and this added £22,000 to the full annual cost. To ensure that the School is not financially disadvantaged, £22,000 has been added to the City's Support.
- v) The Corporate Cleaning Contract was awarded to MITIE from 1 September 2011, and further to iv) above, in accordance with the City of London Corporation's policy on the LLW, to ensure that the School is not financially disadvantaged, the City's Support has been increased.
- vi) 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 £109,000, excluding additional income from increases in tuition fees, for the City of London School. These proposals were phased £87,000 in 2015/16 with an additional £22,000 in 2016/17.

SUPPORT SERVICES AND CAPITAL FINANCING CHARGES

<u>Support Services and Capital Financing Charges</u>	Budget	Actual	Variation Better/ (Worse)
	2016/17	2016/17	2016/17
	£'000	£'000	£'000
Support Services			
Information Systems (IS)	(49)	(36)	13
Chamberlain	(69)	(72)	(3)
Comptroller & City Solicitor	(10)	(2)	8
Town Clerk	(104)	(116)	(12)
City Surveyor	(38)	(30)	8
Corporate & Democratic Core (CDC)	(24)	(26)	(2)
Staff Insurance	(50)	(40)	10
Other Insurance	(77)	(74)	3
City Surveyor's Employee Recharge	(154)	(136)	18
CLPS Staff	(46)	(60)	(14)
Support Services Sub-Total	(621)	(592)	29
Capital Charges – Depreciation	(146)	(146)	-
TOTAL SUPPORT SERVICES AND CAPITAL FINANCING CHARGES	(767)	(738)	29

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.

Annex B

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 a 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.