



INDEPENDENT
SCHOOLS' BURSARS
ASSOCIATION

The role of Governance in financial efficiency and business efficiency

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www.co.uk | Offices in London, Watford, Bristol & Birmingham



Agenda

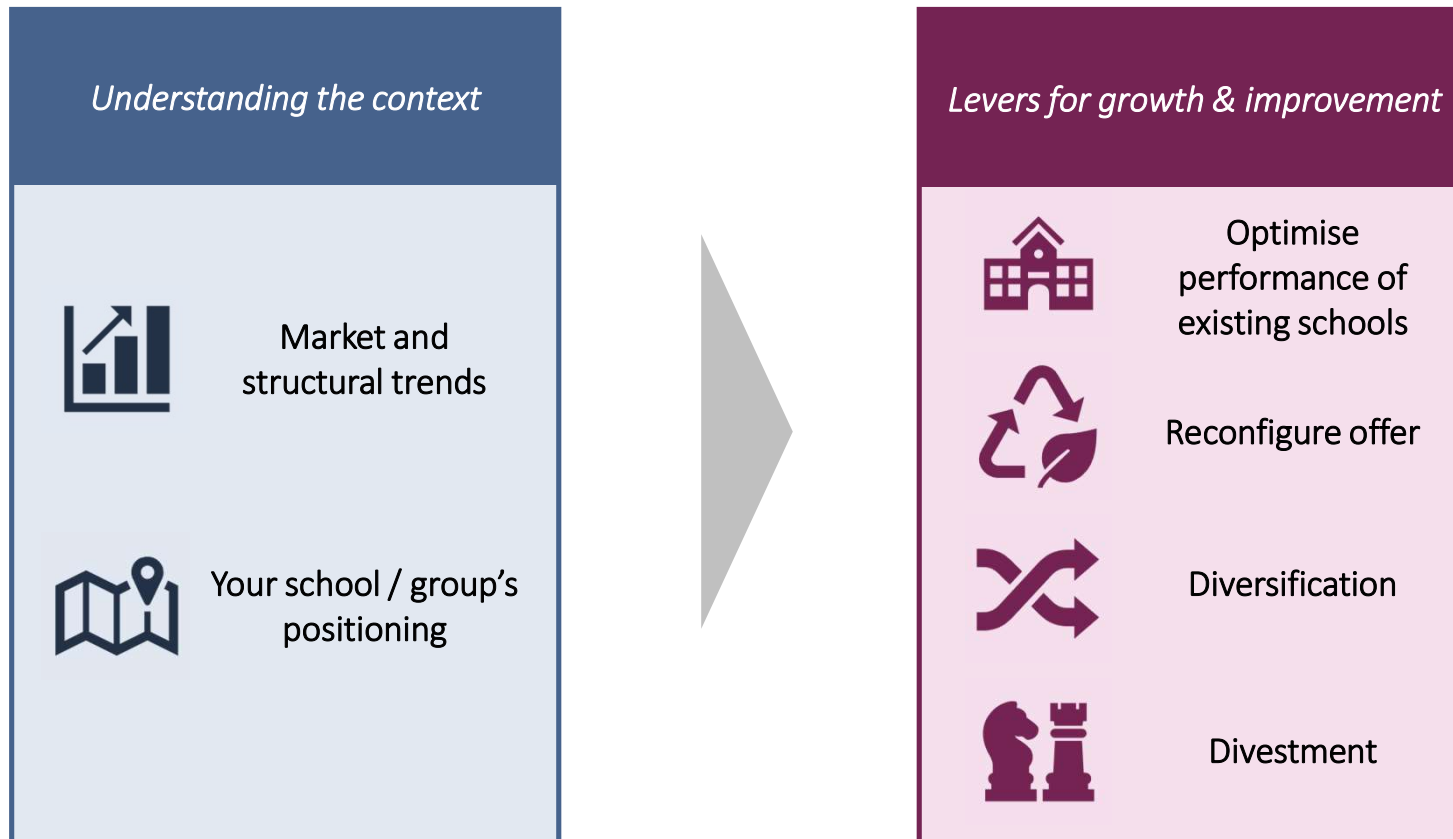
- Challenging times
- Levers to strengthen your position
- Understanding and managing the risks
- Meeting the cost and performance challenge
- Strategies for reducing fee dependency
- Effective governance and holding leaders to account

A time of challenge and opportunity

- Economic and demographic headwinds
- Political risks:
 - VAT
 - charitable status
- Cost and performance challenge
- Changing business models
- Growth strategies:
 - Diversification
 - Mergers and acquisitions

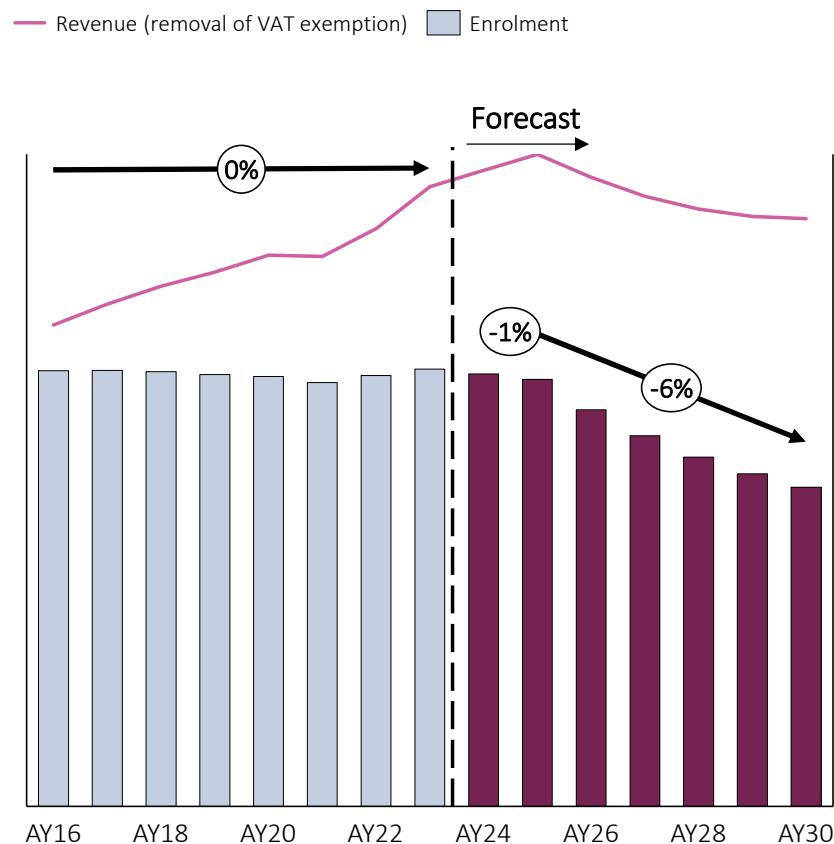


Given the current market, schools should consider mitigation strategies and their levers for growth



Headwinds are likely to worsen, leading to a decline in demand

Indicative independent school enrolment and revenue forecast for England



Drivers



- VAT on fees
- Affordability
- University equity agenda
- Loss of charitable benefits
- Recession & inflation
- Declining demographics
- Migration from cities
- + School strikes
- + Underinvestment in state

Trends



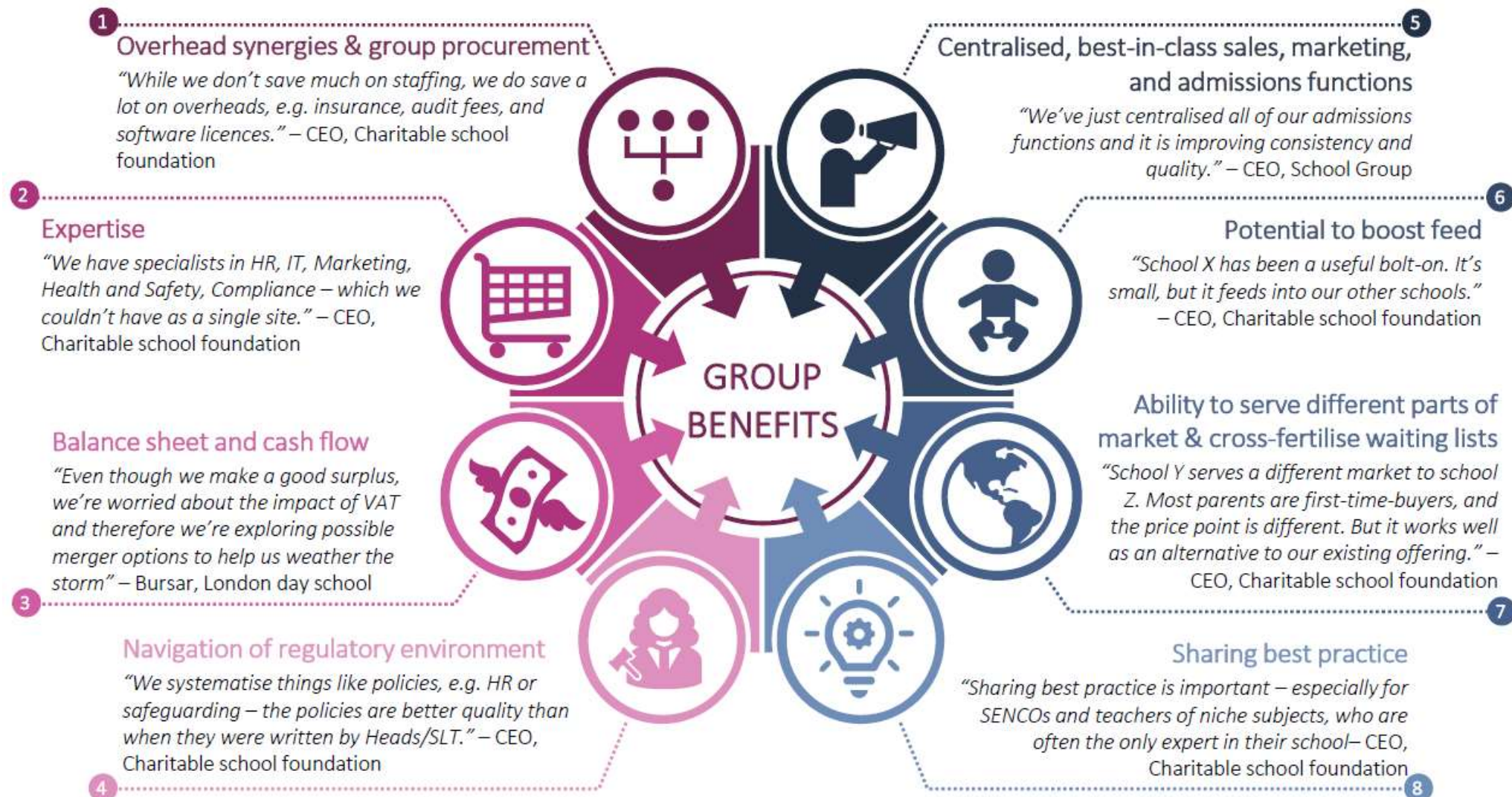
- Decline in prep
- Increase in SEN
- Decline in boarding
- Y7 intake dominant
- Growth in co-ed
- Consolidation

So what?

- Does the Strategic Plan address likely outcomes? Can it be flexed in case of need? Is there a Plan B?
- Would the school pass on the full VAT rate?
- What impact would losing MBRR have on fees?
- On viability?
- Charitable schools: restructuring ahead of changes? Take legal advice
- What should the high-level operational priorities be?
- Use an ISBA- or AGBIS-led board presentation as a catalyst for debate
- TPS particularly/Background and Learnings/"Do Something"
- Scenarios, what-ifs, modelling, sensitivities
- Relentless focus on future-proofing

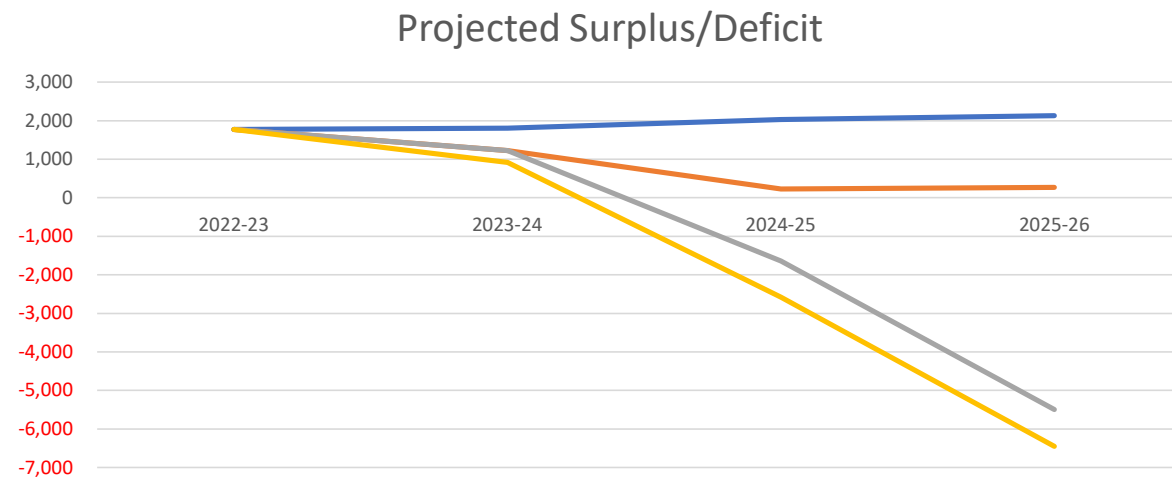
Impact on different schools?

- **Whales:** So big, nothing will touch them
- **Lions:** for profit groups dominating the “food chain”
- **Mountain goats:** Hardy, adapt to their environment
- **Meerkats:** Too small to survive alone, but could find strength in numbers – considering options such as joining larger entities to protect themselves from what’s ahead
- **Pandas:** Small but find a survival option/remain solitary creatures/local niches/USPs
- **Ostriches:** Those burying their heads in the sand
- **Don’t evolve into a Dodo**
- **Or a Boiling Frog!**



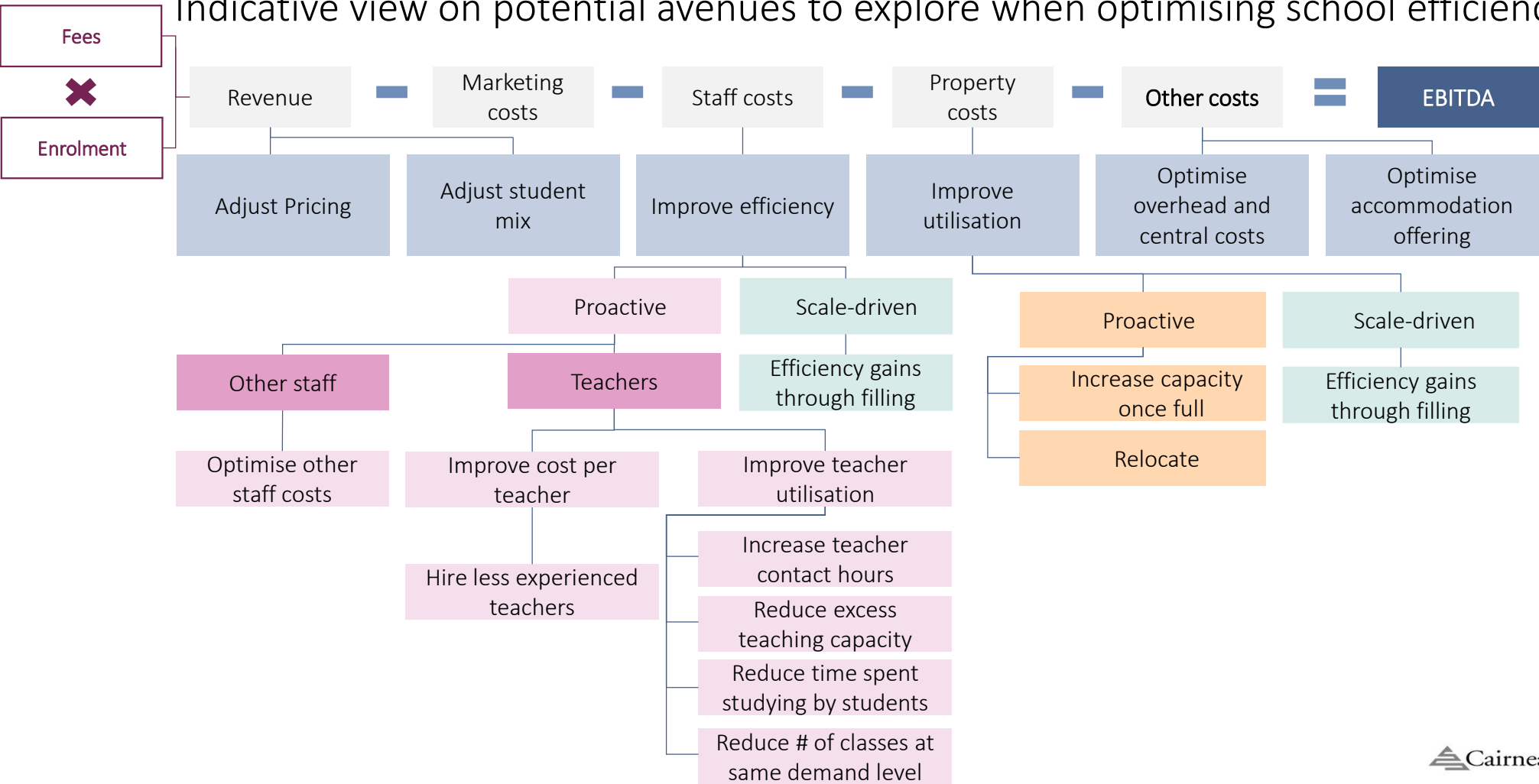
Example of Surplus/Deficit from a 5-year plan

With Charitable Rates Relief Lost,
VAT on School Fees Imposed,
And TPS contribution increased to 30%




Revenue and cost optimisation gains are key levers for growth

Indicative view on potential avenues to explore when optimising school efficiency





Meeting the cost and performance challenge requires change management capability and leadership



The cost and performance challenge

How can you run charity-owned schools more efficiently without compromising educational outcomes or the school brand?



1

Change management capability is required – aligning parents, staff, senior leadership and governing bodies on a vision and a plan



2

Heads, bursars and governors with the will and energy to zero-base their costs and rigorously examine operations to drive performance improvement



The move away from Fee income dependency



- Enterprise
- Development
- International Franchise

What does “fee dependency” mean?

- The average British independent school has a 98% fee income dependency
 - School operations & budgets reliant on school fees and pupil numbers
- US Comparison 65% fee income dependency
 - Increased income from commercial activities & donations

Why do Independent Schools need to reduce their Dependency?

- There are significant financial challenges ahead
- The root cause and timings of these challenges are outside of the School's control
- Inherent difficulties when planning how best to mitigate and manage those challenges
- Uncertainty of long term financial planning such as investment in staff and capital projects

Enterprise

- Enterprise – a project or undertaking – especially a bold or complex one.
- Letting of the school hall to the local dance teacher through to a bold and complex school-wide strategic focus on a particular subject(s) or activity
- Strategic approach to enterprise initiatives, they become a vital aspect of the whole school strategy and, as such, we redefine enterprise as 'co-commercial' – supporting the school's core educational offer with commercial activities, which drive non-fee revenues.

Development

- Development is the process that creates growth, progress and positive change.
- Development encompasses professional fundraising in schools.
- It can support recruitment and retention of pupils from disadvantaged backgrounds through the provision of bursaries; it can enable schools to improve learning environments and resources for pupils, as well as delivering partnership work across the local community.
- Ultimately development is about building relationships with the different constituents in your school community and encouraging their support of your school's long-term vision.

What more can Enterprise do?

- Sweat the assets – increase in commercial activities
- Enterprise to be an essential part of the school's Strategy
- Governors & SLT support
- Strong business plan and forecast.

What more can a school do?

- International Franchise Schools
- Development – donations, legacy, fundraising
- Increased Bursary/Scholarships & Hardship through endowment
- VAT Output mitigation & Long term transfer of VAT to parents

International Franchise operations

The International School Market: 5 years of global growth

ISC Research Data | Data and intelligence on the world's K-12 international schools' market

SCHOOLS

12%

From 11,772 schools to 13,192

STUDENTS

9.5%

From 5.9 million to 6.5 million

STAFF

13%

From 556,150 to 626,800

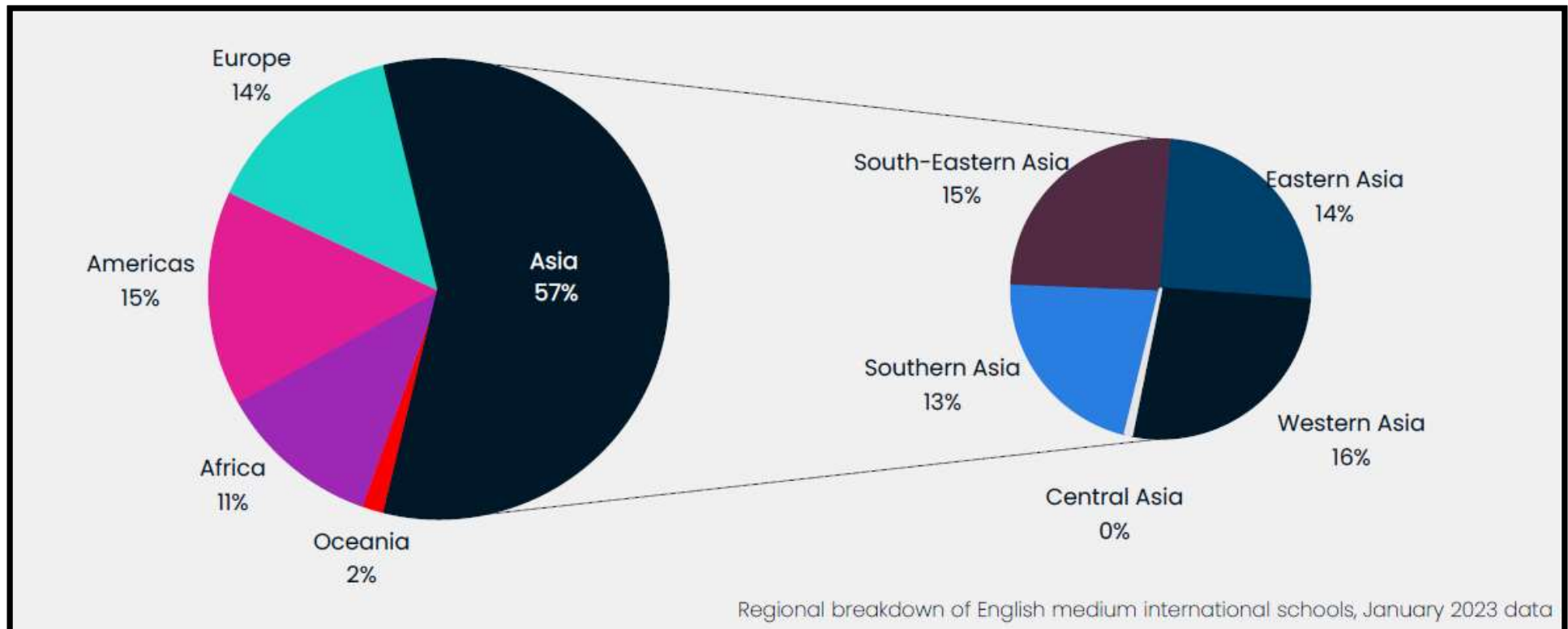
TOTAL FEE INCOME

11.5%

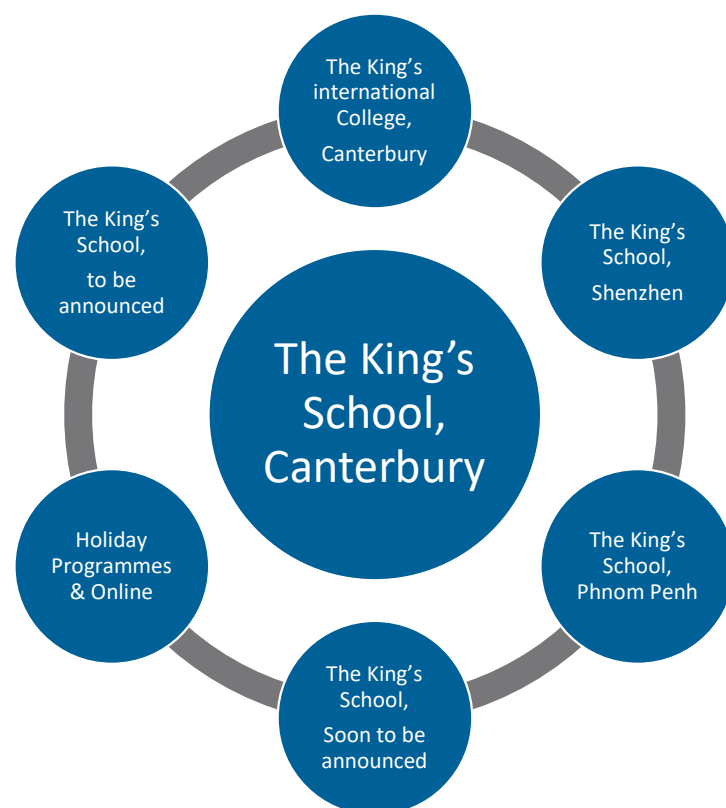
From \$50.4 billion
to \$56.2 billion

The International School Market: Global market by regions

ISC Research Data | Data and intelligence on the world's K-12 international schools' market



King's Canterbury: Our International Vision



The King's School International's vision is to develop a network of schools working together globally, providing a King's School, Canterbury education.

With a shared ethos and strong live links with The King's School, Canterbury, our international operations will offer a blended learning experience with a British curriculum at its backbone; providing students with excellence in education, cocurricular activities and pastoral care.

The development of holiday residential programmes and online learning courses will further strengthen our international offerings and presence within the market.

Recommendations:

- Understand the context:
 - Market and structural trends
 - Political and tax risks
 - Your school's positioning
- Identify levers for growth and improvement:
 - Cost Optimisation
 - Diversification away from fee income dependency
- Review and modernise to ensure:
 - Effective governance and management
 - A commercial approach





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