

Spring 2016

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SCHOOLS BRIEFING

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LETTER FROM THE EDITOR

Welcome to the 2016 spring edition of the *haysmacintyre Schools Briefing*.

Since our last briefing it has been a busy time for schools with signing off accounts and presenting the first cut of the budgets. With capital projects on the

increase, a nervousness to borrow and the pressures on fee increases and pupil numbers, there is a focus on affordability and increases in pension costs.

Our legal article has been provided by Con Alexander and Jaime Parkes of Veale Wasborough Vizards and responds to the question of what governors should consider when sponsoring an academy.

PSC REGISTER

There are several company law changes being introduced in 2016 which will impact on UK companies and LLPs. Some of the changes are de-regulatory, but there are also new requirements which will result in additional work for you and your advisers.

With effect from 6 April 2016, companies and LLPs will need to maintain a register of People with Significant Control; failure to comply will be a criminal offence.

The requirements apply to UK incorporated companies limited by shares or guarantee, unlimited companies, Societates Europaeae as well as Limited Liability Partnerships (LLPs). From 6th April the Register must be kept and should never be blank. If the PSC information cannot be provided then other statements will need to be made instead using the prescribed statutory wording.

The Register should include the name of the PSC, service address, home address, date of birth, nationality and the date when he or she became a PSC. In addition it will be necessary to state which of the above conditions for being a PSC are met.

The Register should generally be kept at the registered office. From 30 June 2016 the information contained in it must be submitted to Companies House annually as part of the Confirmation Statement, the replacement for the existing Annual Return.

Also in this edition, Paul Jeffrey from SCS Associates considers how a school can develop a coherent plan for technology deployment that is forward-looking, sustainable and affordable.

As we are almost half way through Lent, I hope you are keeping your Lenten promises, the Easter break will soon be here. I look forward to seeing you in Edinburgh at the ISBA Annual Conference in May, where you will find the haysmacintyre team on Stand 24. Do come and say hello; David Sewell, Richard Weaver, Tracey Young and Nick Bustin will be ready to take your questions.

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The definition of a PSC is an individual who directly or indirectly meets one or more of the following conditions in respect of the company / or LLP:

1. directly or indirectly owns more than 25% of the shares (LLPs: holds rights over more than 25% of the surplus assets on a winding up)
2. directly or indirectly holds more than 25% of the voting rights
3. directly or indirectly holds the right to appoint or remove the majority of directors (LLPs: holds the right to appoint or remove the majority of those involved in management of the LLP)
4. otherwise, has the right to exercise, or actually exercises, significant influence or control
5. has the right to exercise, or actually exercises, significant influence or control over the activities of a trust or firm which is not a legal entity, but would itself satisfy any of the first four conditions if it were an individual
6. The definition of "significant influence or control" is wide and separate guidance has been issued by The Department for Business Innovation and Skills (BIS).

For further information about the PSC register requirement, including a list of the details which should be entered in the Register, please read our fact sheet which is available on our website. Statutory guidance is also available on the gov.uk website.

THE INTERNATIONALISATION OF UK INDEPENDENT SCHOOLS

haysmacintyre's 23rd annual Independent Schools' Conference took place at Drapers' Hall in early February and was attended by just under 150 governors, heads, bursars and representatives from the sector's main associations.

Tony Little, Chief Academic Officer of GEMS and Hon President of the Boarding Schools' Association was the key note speaker. He spoke from a position of authority having been a housemaster in the 1980s and the head of two schools before completing thirteen years as headmaster of Eton College last summer.

Tony commenced by referring to UK schools with non-British pupils whose parents live overseas, as well as those pupils with parents who live in the UK. Schools tend to have one of three approaches. The first being "British" where overseas pupils just have to fit in. The second being "international" where they might have a large contingent from overseas (such as a 50% Asian) but may lack "global awareness". Those schools with global awareness, the third approach, have been defined as having the following characteristics in order to better integrate these pupils:

- academic, having an appropriate curriculum with global reference
- action, providing a multi-lingual culture fostering understanding as well as linguistic competence
- active tolerance, ensuring that all pupils are treated equally.

Tony also referred to UK schools overseas noting that 30% of international schools are bilingual with English as the primary language, of which 42% offer a UK curriculum. He noted the different models used ranging from franchises, where the UK school may have little or no involvement, up to full ownership and there are many hybrids in between. He also spoke of GEMS's range of schools, from those at the top end with high fees down to certain very low cost schools in Africa and India.

Tony explained why Eton had decided against involvement with an overseas campus citing a number of reasons:

- the drain of resources
- the risk to the brand
- the potential impact of political change in that country.

He also questioned whether Eton's ethos, with its historical context, could be bottled and replicated overseas.

The main reason for this growth in overseas campuses is to generate income to finance the UK schools' bursary programmes. However Eton had decided on another approach to raise funds having recently launched EtonX in China, an interactive online learning platform together with 1-2-1 live online tuition and in-class activities.

Tony warned delegates that the current financial benefits of the international market to UK schools will not last for much longer as China in particular, as well as other countries, will develop their own better schools once they have learnt from our experience. He questioned why overseas parents would then send their children to UK schools so far away.

Tony concluded by noting that those schools setting up overseas should have a defined strategy, being clear about their motives, their capacity and the market and that they must ensure that they carry out a thorough due diligence of potential partners.

Tony's address generated a number of questions and was a stimulating start to the day.

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GOOD ICT GOVERNANCE AND DECISION-MAKING IN SCHOOLS

This article considers how a school can develop a coherent plan for technology deployment that is forward-looking, sustainable and affordable.

WHAT IS THE CONTEXT FOR ICT DEPLOYMENT IN SCHOOLS?

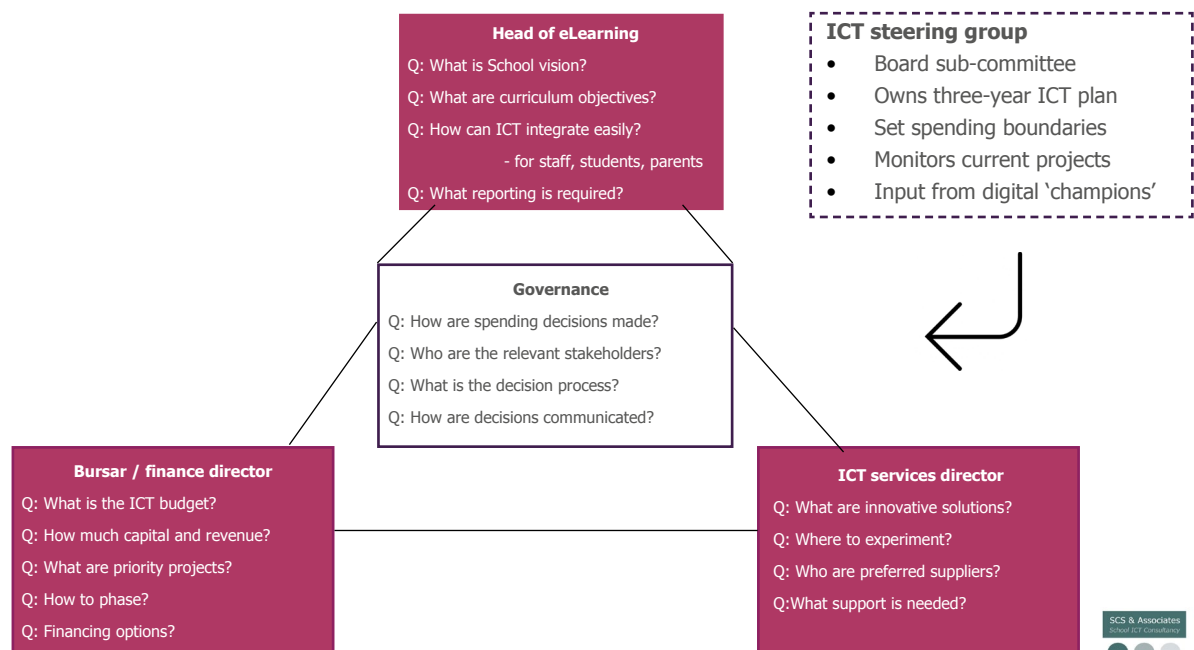
ICT innovation in schools is today driven by an exciting recognition that the boundaries between school, home and work are blurring. Social networking, ubiquitous web browsing, and an explosion in the availability and use of mobile applications, these are all making the student transition from school into employment increasingly seamless. Indeed those schools not offering a combination of relevant classroom technology with realistic business application are likely to fall behind.

How can a school make ICT choices to meet this ever-changing agenda?

Independent schools need to borrow the best ideas from the business world and blend these with the unique challenges of running exceptional educational organisations. As in any small business, the problem of ICT planning comes down to three areas:

- Increasing choice of technologies which are getting more difficult to evaluate.
- Limited internal know-how and skills in making these choices, together with a general concern about making the wrong choices.
- Need for robust decision-making around scarce budgets, setting priorities.

DECISION GOVERNANCE STRUCTURE





ICT DECISION-MAKING AND GOVERNANCE

Three key players should be involved in any school ICT investment decision.

1. Head of eLearning
2. Bursar or finance director
3. ICT services director

Most schools will already have these positions well defined. The titles may change from organisation to organisation but the relationship between the individuals in these roles is critical to the prioritisation of spending.

Head of eLearning

The head of eLearning needs to be someone who can lead and take responsibility for innovation in teaching—ideally as part of the school curriculum planning or development group. He or she should have a mandate from the senior leadership team to lead and investigate what is happening with market leaders or exemplar organisations. The role of the head of eLearning should then be to translate the school vision for teaching and learning into a set of ICT requirements for use in the classroom.

Bursar or finance director

The bursar should develop and then own the school's ICT and eLearning budget. Ideally combining a one-year view with a longer three-year horizon. One of the key decisions is to define what are strategic (whole school)

purchases and what are departmental purchases. This offers faculty heads some discretion over important curriculum items using an agreed Delegation of Authority (DoA), what they can spend to experiment.

ICT services director

The owner of the ICT systems at a technical level will typically be a network or ICT services manager, often reporting into the bursar. However, as this role becomes more strategic, responsibilities extend beyond managing the technical architecture to evaluating options for change, including evaluating suppliers. The role of the ICT services director is to translate the curriculum needs expressed by the staff and students into school-wide procurement plans.

ICT steering group

One of the governing board sub-committees can be the ICT steering group. This important group serves to validate decisions and owns the three-year ICT plan. This sub-committee also provides the link to the educational and curriculum goals of the school through the senior management team.

ICT PLANNING – SO WHAT ARE THE NEXT STEPS?

Some lessons learnt, which all schools can put into practice:

- Start with a decision governance structure like the one on the previous page, or something similar. Write an ICT plan that fits with your school's vision and keep

it updated.

- Identify development projects through joint discussions with your management teams. Listen to your staff and students—they will have the best grasp on what is trending, what is new and what might work.
- Work hard at prioritising your projects and put them in the right order (e.g. don't buy lots of tablets until you know you have a wireless network that can support them).
- Investigate new services, such as cloud solutions. But don't sign long-term service contracts until you are sure you know what you are buying. Insist on break clauses with regular service reviews to manage any risks.

By Paul Jeffrey, Associate at SCS & Associates and Vice-Chair of Governors at a high performing co-educational 11 to 18 school in Berkshire. He has overseen curriculum, infrastructure and building changes over the last nine years. He has worked on school ICT projects in both the independent and maintained sectors. Please visit their [website](#) for more information.

“ASK... THE LAWYERS

In this edition we speak to Con Alexander and Jamie Parkes from Veale Wasborough Vizards on sponsoring an academy.

Q We are an independent school and we have been supporting a local state school for a number of years. The governors are keen to sponsor the school when it becomes an academy. What should they be considering?

A A sponsored academy will typically be an underperforming maintained school which will only be permitted by the Department for Education (DfE) to convert to academy status if it has a sponsor.

Q What are the benefits of sponsoring?

A **Charitable objects**
Sponsoring an academy may give a charitable independent school an opportunity to advance its charitable educational objects, with the aim of developing higher standards of education within the local community and assist a wider cross section of society, demonstrating significant “public benefit” in charity law terms.

Financial benefits

The sponsor and the academy may benefit financially by re-organising and streamlining internal administrations and taking advantage of economies of scale through collaborative procurement. Some sponsors have been able to attract ring fenced funding for the academy which standalone academies may not have had the capacity to bid for.

Other mutual benefits

While a sponsor typically supports an academy, such support can be a “two way street”. Advice, assistance and facilities can be shared. There might be opportunities for teacher secondments and joint staff training.

Reputation

The sponsor may receive positive publicity if it is perceived by the local community that the relationship is in the interests of the pupils. It portrays the school as a supporter of the local community and its children (although conversely, there may be negative publicity as noted below).

Educational imperative

Independent school management teams are experts in running schools independently of government control. Such guidance and management expertise can be invaluable to a new academy.

Control

The sponsor will have a high level of control over the formation of the academy, its ethos, organisation, staffing arrangements, management and curriculum.

Governors will need to consider the benefits of sponsoring an academy and how they will explain their decision to their charity’s parents and other stakeholders. There are also risks associated with sponsorship, highlighted below, which governors will need to take into account.

Q What is the process and criteria for becoming a sponsor?

A When applying to the DfE to become a sponsor, an independent school will need to show:

- it has a clear idea of what it hopes to achieve and how;
- it has the necessary financial expertise and ability;
- evidence of how the school would support an underperforming academy to improve;
- the school has a strong track record of helping schools improve;
- plans to establish clear governance and accountability structures; and
- the school’s most recent annual accounts.

We recommend that any school considering sponsorship has considered an early conversation with its **Regional Schools Commissioner** (“RSC”) to discuss its plans. The RSC will be interested in the school’s relationship with the academy it is proposing to sponsor, but they will also be interested to know whether the school is willing to work with other underperforming schools/academies.

Q What are a sponsor’s responsibilities?

A A sponsor’s responsibilities include:

- setting up the academy trust which will run the academy;
- appointing the leadership team;
- selecting the governing body;
- monitoring the academy’s performance and taking action where necessary;
- reporting to the DfE about the academy’s performance;
- involving parents and the wider community in the academy’s work through events, mentoring and business links;
- making sure the academy spends its funding effectively; and
- working with the academy trust, governing body, principal and senior leadership team.

These are potentially onerous responsibilities and the DfE will expect to hold any sponsor to account in respect of underperformance by the academy.



Q What costs will the sponsor need to fund either during or after the conversion process?

A When a maintained school converts to academy status, a pre-opening grant of £25,000 is made available to assist with the conversion process. Ordinarily, this will be used to cover legal and other professional fees, rebranding of signage and stationery, and provision of new uniforms (if needed). After legal costs, the two biggest costs are likely to be SIMS migration (pupil data re-licensing) and recruitment fees for senior posts.

In addition, sponsors are able to apply for an additional pre-opening grant. The sum available will depend on the type of academy being sponsoring (primary/secondary/special, fast track sponsored/intermediate tier sponsored/full tier sponsored). Again, we would suggest an early conversation with the relevant RSC to ascertain what funding may be available.

As noted below, it's not only monetary costs that need to be taken into account. Sponsoring an academy is likely to take up considerable time and resources which will also have a financial impact.

Q What are the risks and how can they be mitigated?

A Being a sponsor inevitably has risks:

Time and resources – the process for becoming a sponsor and fulfilling the role requires a commitment of time and resources that should not be underestimated. There is a risk that the sponsor may overestimate its capacity or displace other activities in order to fulfil its role.

Financial impact – a sponsor is not required to provide any funding to an academy, but assisting the school through its conversion process, establishing the academy trust and releasing staff to support the academy will have a financial impact in terms of the cost of the time spent by governors and senior staff.

Parental approach – some parents make sacrifices to send their children to an independent school and may have concerns that the school is supporting an academy which provides no direct benefit to their children.

Reputation – the school may receive positive publicity as a result of its sponsorship, but if the academy fails to perform, this could have a knock-on effect on the school's own reputation.

Removal of sponsor status – if a school fails to comply with its responsibilities, the Secretary of State for Education can terminate sponsor status. This is likely to be a last resort, the reputational damage could be significant.

There are some ways to mitigate these risks, albeit not eliminate them entirely:

Consult the RSC – the school should discuss its ideas with the relevant RSC and ensure that it raises any specific concerns. If the RSC agrees that a school should apply, the DfE will nominate a sponsor lead to work with it and advantage should be taken of this relationship.

Seek expert advice – ensure that appropriate due diligence on the maintained school is carried out. Financial, legal, and technical experts will help to create a suitable business plan which may increase the chances of the project's success.

Create a shared vision – it is important to liaise with the maintained school regarding its vision and conversion plans to ensure that both parties are working towards the same goals. If a clear strategy and ethos is established it is likely to reduce the chance of the academy failing to perform.

Be realistic – give serious and candid thought to the time and resources that are available. The role of sponsor extends far beyond the conversion process and exiting the relationship is not always easy.

Consult parents and be positive – ensure that parents are aware of the benefits of sponsoring an academy and the impact this can have on the wider community. For example, academy departments have been twinned with independent school departments and pupils are partnered based on their study of similar subjects and university aspirations; pupils maintain communication, which helps to eliminate social barriers with a positive impact on pupils from both schools.

In conclusion, the governors of an independent school who are considering sponsoring an academy need to weigh the benefits against the risks and consider the decision very carefully.

The key things to think about are:

- What is the sponsor's objective?
- Has appropriate due diligence been carried out?
- Does the sponsor have sufficient time/resources?

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Future events

P11Ds: Reporting Expenses and Benefits (Webinar)	22 March 2016
Independent schools update: Featuring means tested bursaries - a bursar's perspective	28 April 2016
Finance for the Non-Financial Governor - joint seminar with AGBIS	15 June 2016

For further information on any of the events above please visit www.haysmacintyre.com/events

Should you wish to receive an electronic version of our briefing in the future, please email Theresa Schultz on tschultz@haysmacintyre.com

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