ISBA Conference Edition 2015

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SCHOOLS BRIEFING

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LETTER FROM THE EDITOR

Welcome to this special ISBA Conference edition of Schools Briefing.

We are on the way to approving the 2015/16 budgets, fee letters have been sent and it is the lull before the year end storm. For this conference edition we have put together a selection of articles that we hope you will find interesting and thought provoking. Over the last four months the Charity Commission have provided a number of updates and I have provided a brief summary of some of the changes that may affect schools. We are seeing an increasing number of endowed schools question the accounting treatment of improvements to properties which sit on endowed land and Richard Weaver highlights some of the issues.

As we move to the end of another academic year, our legal article looks at whether gap year students are entitled to be paid? Sue King from Wrigleys Solicitors carefully steers us through what we should and shouldn't be doing.

Many of you will have been at the launch of the 'Ten Trends, Factors and Shifts affecting education', a major new report by RSAcademics. Russell Speirs and his team interviewed over 200 heads, bursars, chairs of governors, governors and educational professionals and academics, as well as representatives from the legal, accountancy and banking sectors, and identified key areas affecting the sector. Heather Styche-Patel focuses her article on three of the trends she believes are of particular interest to bursars: governance, edtech and affordability.

Our specialists, Phil Salmon and Nick Bustin give us a quick update on tax issues including sporting lets, abolition of the contracted-out National Insurance rates and the end of the £8,500 earnings threshold.

We are grateful to all our guest writers. As advisers to you and the sector it is important that we continue to challenge and support you. I hope you enjoy this edition and we value your feedback and suggestions for the future.

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FINANCIAL REPORTING

IMPROVING LIQUIDITY IN ENDOWED INDEPENDENT SCHOOLS

A frequent item on the agenda of many endowed independent schools, is the accounting treatment of improvements to properties which sit on endowed land.

Charity law stipulates that any capital improvements to properties that are on endowed land or on an endowed property are also endowed. The consequence is that unless the endowed fund has its own cash or income generating activity, the monies for such capital improvements often comes from the charities own unrestricted reserves. The charity is then, by definition, converting unrestricted cash into endowed funds.

The issue can be complicated further as endowed charities tend to be very old charities, and the history of property transactions over the years and between funds can be a little sparse. Secondly you cannot hold permanent endowment in a limited company, so your structure is either a charitable trust which includes the endowment (which leaves the Governors open to personal liability and greater risk), or an endowed trust that is consolidated into but separately registered from the parent charitable company.

One particular aspect of endowed fund accounting has arisen recently and may be of interest. If the school can show that there is an inter-fund loan between the operating charity/ unrestricted fund and the endowment fund built up over the years, what can you do with the proceeds of a sale of property contained within the endowment? We all know they can reinvest the proceeds into other endowed capital assets, but because there is an inter-fund loan, any sale of property within the endowment could be used to repay the inter-fund loan facility (subject to there being no further restrictions placed on the properties). This can release significant value of cash back into the unrestricted operating charity/unrestricted fund. Because the endowed fund balance always included the inter-fund loan as a creditor, the net 'value' of the endowment is unaffected by the repayment. A neat solution especially where the operating charity requires greater liquidity.

If you are affected by this article, or wish to discuss further, please contact Richard Weaver.

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HAYSMACINTYRE INDEPENDENT SCHOOLS MANAGEMENT SURVEY 2015

Benchmarking information is a valuable tool to both Senior Management and Governors when assessing their schools' financial performance and helps to inform the decision making process.

This year's survey has given us and our participants some useful data and we set out some of the key findings below.

Overall, pupil numbers in the schools included in the survey were static from 2012/13 to 2013/14 but increased marginally overall by 0.7% at the start of 2014/15, with the growth largely due to more day pupils. This was by no means consistent across the sector as we continue to see some significant increases and sharp declines in pupil numbers at individual schools which suggests that although the general picture for the sector is strong, many schools continue to experience tough market conditions. Mergers, closures and conversions to state funded free schools have continued over the last year.

Fee increases reported were, as we expected, very much in line with the last five years, which have ranged from 3.5% to 3.8%. The average for 2014/15 was 3.6%. Schools have been very conscious of the affordability of their fees. Many have limited their fee increases through careful controlling of costs, in particular restricting salary increases, delaying capital and maintenance projects as well as benefiting from low costs of borrowing and accepting a lower level of surplus. Without a significant restructure to schools' business models it seems unlikely that this level of increase can continue in the long term. Certainly, staff costs are set to rise with the pressure to reward staff, teachers' pension changes from September 2015 increasing employers' contributions and increases in National Insurance contributions following the abolition of contracted-out rates from 6 April 2016.

The average inflationary pay award for teachers was 1.6% in 2014/15 compared to 1.4% in 2013/14 and 1.5% in 2012/13 which is greater than the increases applied in the state sector. Similar rates have been applied for non-teachers.

Schools in the survey provided total fee remissions of 9.1% of gross fees on average up marginally on the prior year. Means tested bursaries form the greatest proportion of the remissions at 4.4% of gross fees, which has continued its upward trend as a result of changes in the Charities Act. The level of means tested remission provided varies significantly between the school categories, with preparatory day schools providing on average 2% of gross fees compared with 6% at senior day schools. Scholarships averaged 1.7% of gross fees which is consistent with the prior year.

Teaching staff costs represent the biggest area of expenditure for our schools, on average 44.3% of net fees. This ranges from 33.8% in senior boarding schools to 50.1% in senior day schools.

32% of schools responding to our survey outsource their catering provision.

Premises costs averaged 15.5% of net fees, lower than the prior year of 15.8%. These costs vary significantly between schools depending on the number of properties, type and age. As expected, boarding schools tend to have greater costs in this area. Repairs and maintenance form a significant proportion of these costs and it is important that both these costs and capital projects form part of schools' strategic plans. This avoids nasty surprises, enables cost effectiveness and helps to ensure funds are available to finance projects as necessary.

This year's survey shows a 7% increase in the average capital spend by schools to £1,064k. This varies significantly with 30% of schools spending less than £250k, 41% spending between £250k and £1m and 15% spending over £2m. These projects are funded through a variety of sources: over 23% of schools received fundraising income for capital projects in the year and the majority have funded projects, at least in part, by borrowing.

If you would like a copy of this year's publication, please contact Eve Baker on ebaker@haysmacintyre.com.

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UPDATES FROM THE CHARITY COMMISSION

Over the last four months the Charity Commission have provided a number of updates. A brief summary is set out below.

1 COMMISSION RELEASE REPORT ON THE QUALITY OF CHARITY ACCOUNTS

In March 2015, The Charity Commission published a review on the quality of filed charity accounts. They selected 215 charities of various sizes split between reporting periods 31 March 2012 and 2013. Their results were based on their own 'acceptable quality' criteria rather than strict compliance with the charity SORP.

Of their sample, they found that the 'acceptability' criteria were met by 54% of charities for the reporting period 2011/12, increasing to 68% for 2012/13. This in itself was encouraging, showing an improvement between periods. However, further analysis shows that only 70% of those sampled had a statement of both their purposes and their activities to carry out those purposes and only 69% included a reserves policy.

They also found that only 38% of accounts explained levels of unacceptably low charitable expenditure, only 61% explained deemed insolvency issues and 70% explained significant loans to or made by the charity. Given the recent increase in audit thresholds, of specific interest was 89% of those sampled which were above the audit threshold had accounts of an acceptable quality.

Time will tell whether the increases in disclosures in the new charity SORP will encourage better quality in charity reporting and if the removal of the need to be audited will result in an increase in non-compliance.

2 ANNUAL RETURN 2015

All registered charities with an income of more than £10,000 who are reporting on their financial years ending in 2015 must complete the online form. Sections of the data then populate the commission's register of charities. The online public register was viewed more than 6 million times last year and is a key source of data about charities in England and Wales.

The form includes new questions which charities must answer that will strengthen the regulator's ability to identify risk, and will ensure people have access to the information they need to make confident decisions about charities.

Charities must now answer three new questions when they go online to complete the annual return:

1. In the reporting period, how much income did you receive from:
   a. contracts from central or local government to deliver services?
   b. grants from central or local government?
2. Does your charity have a policy on paying its staff?
3. Has your charity reviewed its financial controls during the reporting period?

3 CHARITY TRUSTEE MEETINGS: 15 QUESTIONS YOU SHOULD ASK

The Charity Commission has issued a checklist of 15 questions that trustees should ask when they meet to make decisions on the way the charity operates.

The checklist is designed to help:

- structure discussions about what your charity does and how it does it
- make sure your charity is financially secure, even in tougher economic times
- develop plans and timetables for action
- demonstrate you are responding appropriately to change

The checklist also includes links to Charity Commission guidance and covers:

- strategy - opportunities and risks
- financial health
- governance, including safeguarding
- making best use of resources

The guidance can be found at https://www.gov.uk/government/publications/charity-trustee-meetings-15-questions-you-should-ask/charity-trustee-meetings-15-questions-you-should-ask

4 CONSULTATION ON THE ESSENTIAL TRUSTEE: WHAT YOU NEED TO KNOW

The Charity Commission issued CC3 in 2012 as a comprehensive guidance for trustees. They recently published a draft revision of that guidance, designed to make it clearer to trustees what the law expects of them. They consulted extensively, focussing on the people for whom it is written – the trustees. The final updated guidance is due to be published in the Summer.

For many schools, this guidance forms part of the induction pack for new governors.

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NATIONAL INSURANCE CHANGES

Now that a Conservative Government has been elected, we await to see with interest what changes in the legislation they will introduce throughout the life-time of the next Parliament.

Whilst there has been a commitment not to invoke any increases in tax, we can be certain the Government will be focusing its efforts to ensure the continued effectiveness in the amount of tax and National Insurance it collects from employers via the PAYE system. Schools will need to prepare for real increases in the amount of National Insurance they will be paying to the Exchequer from 6 April 2016.

ABOLITION OF THE CONTRACTED-OUT NATIONAL INSURANCE RATES

The first relates to the abolition of the contracted-out National Insurance rates for employees who participate in the Teacher's Pension Scheme. This will see an increase in the employer's rate of National Insurance from 10.4% to 13.8% on earnings above the Lower Earnings Limit.

Employees will also see an increase from 10.6% to 12% on a proportion of their earnings.

NO MORE £8,500 EARNINGS THRESHOLD

Secondly, the £8,500 threshold, which currently applies for P11D reporting purposes, will come to an end with effect from 5 April 2016. Consequently, if you provide, for example private medical insurance to any employees who are in receipt of annual earnings of less than £8,500 then, with effect from 6 April 2016, the employer will be liable to pay an additional 13.8% Class 1A National Insurance.

Schools will need to take these changes into account not only from a compliance prospective, but also when setting budgets.

LOOKING AHEAD

We are also anticipating changes in the tax treatment in respect of the provision of living accommodation following the consultation which was undertaken by the Office of Tax Simplification last year.

Changes are expected, including the basis upon which any exemptions will apply and how any taxable benefit is to be calculated on accommodation, which is not exempt from tax or National Insurance.

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WHAT ARE GAP YEAR STUDENTS ENTITLED TO BE PAID?

As summer is fast approaching, this is the time of year when many independent schools will be thinking about offering work experience to gap year students for the next academic year, to assist with teaching and other school activities.

Most Bursars will be aware that gap year students are entitled to the National Minimum Wage, (known as "NMW") unless one of the specific exceptions applies including: school-age children, student work placements or certain types of volunteers. If a gap year student is entitled to the National Minimum Wage, the rules can be confusing on calculating their wages, for example when the school provides food and lodgings.

> The National Minimum Wage Act 1998 applies to "workers" who are over the compulsory school age and work, or ordinarily work, in the UK.
>
> Current rates are £6.50 per hour for workers aged 21 and over and £5.13 for workers aged 18-20. The rates are reviewed and changed on 1 October each year.
>
> An individual is classed as a "worker" if they work under a contract of employment or a contract to personally do or perform work or services for another…

This article aims to summarise the devilish detail lurking within the rules, particularly following the changes introduced by the new regulations which came into force on 6 April 2015. In addition, we analyse other employment issues relevant to gap year students.

BACKGROUND

'Worker' or 'employee'? - It is open to schools to class a gap year student as a worker rather than an employee. In most cases, we would advise opting for worker status, which is more flexible for both parties and limits the employment liabilities of the school. However, Bursars should keep in mind that workers are still entitled to (amongst other rights) the National Minimum Wage, paid annual leave, rest breaks, a limit on working hours and, in some cases, the right to an employer pension contribution under auto-enrolment provisions (see the box for the basic qualifying criteria). Many schools have some form of job description and contract for gap year students, but check the document covers crucial details such as the worker status and, if relevant, property law and health and safety provisions covering the board and lodgings. If there is no written contract, a contract may be 'implied' on terms that are to the school's detriment.

> Workers must be automatically enrolled into a pension scheme* who:
>
> - Are not already in a qualifying workplace pension scheme,
> - Are at least 22 years old,
> - Are below state pension age,
> - Earn more than £10,000 a year, and
> - Work or ordinarily work in the UK (under their contract), or
> - otherwise ask to join
>
> *check your organisation's staging date for auto-enrolment

The following class of workers are not entitled to the National Minimum Wage:

- Those who are of compulsory school age;
- Work experience placements of less than one year undertaken by students as part of UK-based higher education or further education courses.

Generally, volunteers who are classed as workers, are entitled to the National Minimum Wage, however, there are special rules within charities.

Exemptions for charities? - There is an exemption in the National Minimum Wage Act for voluntary workers employed by charities. If your school is a charity, check the following conditions before considering whether the exemption could apply:

- The only monetary payment received by the placement student is for the reimbursement of expenses incurred or anticipated in the performance of their duties; and
- The placement student does not receive any benefit in kind other than reasonable subsistence or accommodation.

Where the charity exemption applies, schools may avoid paying the National Minimum Wage and instead simply reimburse expenses incurred by gap year students. This could provide the school with a significant financial saving, though we recommend advice is taken in order to avoid the legal and reputational risks of the school being found to be in breach of the National Minimum Wage Act, albeit unwittingly so.

If the charity exemption conditions are not satisfied, the gap year student is likely to be a worker entitled to the National Minimum Wage. If so, the school needs to understand the benefits which may and may not be off-set against the payment of the wages.

BENEFITS TO OFF-SET AGAINST NATIONAL MINIMUM WAGE

If the charities exemption does not apply to your school, you may choose to take certain benefits into account when assessing whether the student's remuneration amounts to the National Minimum Wage.

Accommodation: This is the only non-cash benefit which will be regarded as a legitimate payment to a gap year student for the purposes of the National Minimum Wage. However, the amount of this benefit that may be counted towards the National Minimum Wage is subject to a limit, currently up to £5.08 per day. In principle, this amount can be off-set both for students receiving free accommodation and for those who are paying rent. Anything above this will be treated as a deduction and will reduce the pay for National Minimum Wage purposes.

Meals and subsistence: In most cases meals cannot count towards the National Minimum Wage threshold.

Utilities: Even though accommodation may count towards the National Minimum Wage, the value of related benefits such as gas and electricity will not count.

The precise rules and case law on this area are much more complex than our summary here, but it is worth remembering the policy behind the legislation as enforced by HMRC and the approach taken by the Employment Tribunal which is: to eliminate payment by benefits in kind and ensure that workers should receive "cash in hand" of at least the National Minimum Wage (except where precise exceptions apply such as relates to accommodation or for voluntary workers employed by charities).

SO WHAT HAPPENS IF AN EMPLOYER DOES NOT PAY THE NATIONAL MINIMUM WAGE WHEN IT IS DUE?

The National Minimum Wage is enforced by HMRC following complaints from the affected worker themselves, a third party, or arising from an inspection. If an underpayment is identified, an underpayment notice is issued by HMRC irrespective of the reason for the underpayment. The notice includes the requirement to pay a financial penalty within 28 days of 100% of the total underpayment (with a minimum payment of £100 to a maximum of £20,000) to the Government. The penalty currently applies to each employer; however this is due to be extended to cover each underpaid worker. The implementation date for this significant change is not yet known but it is likely to be after the election and it is anticipated to come into force around October 2015. The penalty sum will be reduced by 50% if payment is made within 14 days of service of the notice.

Any arrears due to the worker are calculated on the basis of the National Minimum Wage rate applicable at the point when the underpayment is identified. As the minimum wage rate increases most years, this means a school may be paying arrears at a higher rate than if they had paid the rate originally.

If the employer fails to comply with a notice of underpayment, HMRC can issue civil proceedings in the civil courts or the employment tribunal or they can prosecute the employer.

Alternatively workers themselves who do not receive the National Minimum Wage may also bring a claim in the Employment Tribunal for an 'unlawful deduction from wages'. Workers may also bring a breach of contract claim in either the County Court or the Employment Tribunal and arrears can go back six years.

Any employer issued with a notice of underpayment by HMRC may be named publicly. The principle behind naming is to allow workers and businesses to make informed choices about who they work with. Therefore, in addition to any financial penalty, schools will want to avoid the negative publicity that a claim would generate, particularly, in view of ongoing media coverage of cases concerning unpaid internships.

In conclusion, we advise that gap year students are placed on a suitable written contract that designates them as a worker and covers the property law and health and safety implications when accommodation is provided. In terms of the amount paid, schools are advised to check whether they fall into the exemption for charities, and whether any benefits which they are counting towards the National Minimum Wage threshold are indeed valid deductions.

Free information about the extent of National Minimum Wage legislation and pensions auto-enrolment can be accessed at:

https://www.gov.uk/national-minimum-wage/what-is-the-minimum-wage

www.thepensionsregulator.gov.uk

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VAT AND SPORTING LETS

Many schools will be familiar with the rules surrounding sporting lets, namely that they are standard-rated for VAT, except when there is a "series of lets" and certain conditions are met. This long established position has been thrown into confusion following a change introduced by HMRC on 1 January.

There are two separate parts of the VAT legislation dealing with sport. The first being Group 10 of Schedule 9, headed Sport, Sports Competitions and Physical Education. It exempts (amongst other things):

The supply by an eligible body to an individual, except, where the body operates a membership scheme, an individual who is not a member, of services closely linked with and essential to sport or physical education in which the individual is taking part.

This is quite clearly aimed at sports clubs and it was challenged by Bridport and Dorset Golf Club in the context of green fees charged to non members. Per the above legislation, such fees were subject to standard-rated VAT when fees (or subscriptions) paid by members were exempt from VAT.

The case proceeded all the way to the Court of Justice of the European Union (CJEU), who in a decision last year held that the distinction between supplies of sporting services provided to individuals who were not members was ultra vires and that exemption should apply to supplies to both members and non-members.

With effect from 1 January 2015, the legislation above was amended, and the underlined part above removed so as to comply with the decision of the Court.

However, the provision which deals with sporting lets is contained in another part of the VAT legislation. This is in Group 1 of Schedule 9, and is headed Land.

This exempts most land related supplies, but contains a list of exceptions which default to being standard-rated. Paragraph 1(m) of the list of exceptions says:

The grant of facilities for playing any sport or participating in any physical recreation.

This clearly standard-rates sporting lets, but Note 16 to the Group goes on to say that:

Paragraph (m) shall not apply where the grant of the facilities is for:

a. A continuous period of use exceeding 24 hours; or
b. A series of 10 or more lets, whether or not exceeding 24 hours in total, where the following conditions are satisfied.

This is the series of lets exemption with which schools will be familiar.

This provision remains on the statute books, ostensibly unaffected by the 1 January change to Group 10. But the question is, how can it be? What is the distinction between granting facilities for playing sport, and supplying services which are closely linked with and essential to sport?

Surely there can be none. Letting a badminton court to someone wanting to play badminton is surely a service which is essential to it, so on the face of it, Item 1 (m) is now ultra vires, and can be disregarded.

HMRC, however, have made no comment on this point, and in any event the position is not quite so straightforward, as for the exemption in Group 10 to apply even though there is no longer a requirement for the supply to be made to a member it must still be made by an "eligible body".

The definition of an eligible body for the purpose of the sporting exemption is different to the definition in the educational exemption. But essentially it must be a non-profit making body, which is precluded from distributing a profit, or is allowed to distribute it only to another non-profit making body.

It cannot be subject to commercial influence, and any profit it does make must be used either for the continuance or improvement of its sporting facilities, or for the purposes of a non-profit making body.

It is highly likely therefore that most schools would qualify as an eligible body for the purposes of the sporting exemption. But what if, for direct tax reasons, the supplies are made by a trading subsidiary of the school.

This point was specifically looked at in the case of Bradfield College and its subsidiaries, in a judgement of the First-Tier Tax Tribunal released on 22 January. It held that the subsidiaries of the College did not qualify as eligible bodies, because there was no specific non-profit distributing clause within the subsidiaries Memorandum & Articles of Association, even though in practice, they only ever distributed a surplus back to the College which was a non-profit making body.

It appears from this decision that a subsidiary of a school could, by dint of a change to its Mem & Arts, ensure it did qualify as an eligible body, so the question then is, should it? This will largely depend on the individual circumstances of the School. If VAT has been recovered on the construction of the sporting facilities and they are within the Capital Goods Scheme (CGS), then a School would need to ensure that CGS adjustments did not remove the advantage of exemption by requiring input VAT that has previously been claimed to become repayable to HMRC.

In addition, if a School envisages significant future expenditure on its sporting facilities, then this too may mean that exemption is not beneficial. We therefore have a development which will be welcomed by many, but one which introduces uncertainty, particularly given HMRCs total silence of whether the Bridport judgement goes further than seemed at first sight.

VAT GROUPS AND THE INCLUSION OF INDIVIDUALS, PARTNERSHIPS AND OTHER NON-CORPORATE BODIES

VAT grouping is a provision which allows two or more separate taxable persons to be VAT registered as a group and regarded as a single taxable person.

The key advantage of VAT grouping is that no VAT is chargeable on supplies between members of a VAT group, such supplies are disregarded. In addition, only one VAT return is supplied for the group as a whole, which reduces the administrative burden of VAT.

In order to qualify for group registration, each person must be established in the UK and the control criteria must be met. These are that one of them must control each of the others, or one person, whether a body corporate or an individual must control all of them, or two or more individuals carrying on a business in partnership must control all of them.

In addition to these conditions, there are anti avoidance provisions which must be met before a VAT group can be formed. The other key condition that must be met is that UK law says that even though a VAT group can be controlled by an individual or a partnership, the members of the group must all be bodies corporate.

A recent opinion of the Advocate General (AG) of the Court of Justice of the European Union (CJEU) has cast doubt on this last condition. The way that the CJEU works is that the AG's opinion is given prior to the hearing and judgement of the CJEU itself. It is not binding on the Court, but it usually gives more detailed answers to the questions put to the Court and, more often than not the opinion is followed by the Court.

In the joined cases of Beteiligungsgessellschaft Larentia + Minerva mbH & Co.KGh and Marenave Schiffahrts AG, the AG has opined that German VAT legislation, which like UK VAT legislation restricts VAT groups only to corporate bodies, goes too far.

The AG has said that there is nothing in the EU VAT legislation which limits VAT groups to a specific form of company or entities which have a legal personality.

The Opinion goes on to say that such restrictions could be imposed only where it is necessary and proportionate to prevent tax avoidance, evasion or other abusive practices. If the CJEU follows the AG's opinion then the UKs blanket restriction on individuals and partnerships joining a VAT group is ultra vires and the ability to include individuals or partnerships in VAT groups, provided the other conditions are met, could be hugely significant.

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TEN TRENDS, FACTORS AND SHIFTS AFFECTING EDUCATION

SUMMARY FROM A MAJOR NEW REPORT BY RSACADEMICS

As a company immersed in the education sector, we are only too aware of the pressures that senior leaders and governing bodies face when considering school strategy. Often key decisions, sometimes multi-million pound decisions, are made based on very limited evidence about patterns and trends. No other sector would need to operate like this.

Over the last 12 months, a team of researchers has been working to produce a report that focuses on ten key topics:

- How is school leadership changing?
- The changing role of governors and governance.
- Recruiting, training and rewarding teachers.
- Wellbeing: coming to the top of the agenda.
- The state sector: the emerging landscape.
- Edtech: why is it exciting? Why is it important?
- A focus on London.
- Boarding: a world of opportunities.
- Getting complicated: the 11+/13+ debate.
- Affordability: are independent schools pricing themselves out of the market?

We interviewed over 200 heads, bursars, chairs of governors, governors and educational professionals and academics, as well as representatives from the legal, accountancy and banking sectors. This primary research together with extensive desk research has been pulled together to form Ten Trends 2015 and has been produced in association with Coutts.

In this article, we focus on three of the trends we believe are of particular interest to bursars: governance, edtech and affordability.

THE CHANGING ROLE OF GOVERNORS AND GOVERNANCE

Governing a school is now a demanding and complex activity and the requirements are more challenging than ever; the level of accountability is great and recruiting governors can be difficult.

There are some 15,000 people acting as governors in the independent school sector, but we discovered that recruiting and retaining governors is becoming a real challenge for schools. Building a governing body with the right skills and experience is a critical issue for chairs of governing bodies and heads alike. Over half of all the schools that participated in our research reported difficulties in recruiting governors to their boards.

We found that schools said it was often easier to recruit governors when they were able to work in partnership with other local or regional organisations, such as universities and teaching hospitals. However, we also found that the single largest source of new governors still comes from the networks of existing governors.

The role of the chair has been acknowledged as central to the effectiveness of governance for some time and, given the increased regulatory and legal requirements of a governing body, this role has become more important than ever. Indeed our researchers found recent examples of schools using recruitment consultants in their searches for chairs of governors.

As all clerks to governing bodies will understand, governors can often find it a challenge to steer a path between governance and management and increasingly so as the boundaries between the two become blurred with ISI's expectations of governors' accountability. Central to this issue is the relationship between heads, leadership teams, staff and governors in achieving effective governance. In the report we review ways in which heads, leadership teams and chairs of governors seek to ensure effective integration and productive relationships to help drive the school forward.

EDTECH: WHY IS IT EXCITING? WHY IS IT IMPORTANT?

Throughout our interviews on the topic of edtech, heads and bursars alike highlighted the significant levels of investment that accompany many decisions about ICT strategy. This is made more challenging by the pace at which technologies (software, hardware and infrastructure requirements) change. Our researchers have brought together key facts and interviews with experts to identify future trends or patterns for edtech across the whole range of school activities.

There are many examples of excellent, leading edge practices in the sector, some of which are brought to life in the report. However, our researchers spoke to a number of heads who were uncertain as to their next steps – for example should they be encouraging students to 'bring their own devices' and what are the implications of such a move?

The report considers the impact of ICT on the curriculum and pedagogy, but perhaps of greater interest to readers is the growth in technology to support data analysis in schools. There are a plethora of companies who all offer packages and platforms that claim to be able to help schools improve. However, the latest breed of these comes in the form of management information systems that provide reports targeted at individual

users and use what is known as an 'adaptive analytics engine' to provide these in real time. For school leaders these systems provide better data visualisation and a level of granular analysis that should steer targeting of resources.

However, our researchers have concluded that perhaps the greatest imperative for school edtech strategies is that pupils and their parents are increasingly expecting schools and their teachers to be as engaged in the 'digital now' as they are. We provide a series of questions for school leaders to consider what the 'digital now' means for schools.

AFFORDABILITY: ARE INDEPENDENT SCHOOLS PRICING THEMSELVES OUT OF THE MARKET?

You will be acutely aware of the commentary on independent school fee increases and the relationship with the consumer price inflation (since 1990 average private school fees are reported to have quadrupled – equating to an inflation of 6.2%, whilst the CPI inflation over the same period averaged 2.5%. [1]) Fee increases have slowed in recent years, but they continue to increase ahead of other measures of inflation.

In consultation with financial advisors, the Ten Trends report summarises the financial context from a parent perspective and highlights the levels of investment required to fund a child through 13 years of independent schooling. We explore the factors that parents consider when making decisions regarding school choice/ fees and review the trends around the so-called 'pick-and-mix' approach to state and independent schooling. Indeed, we saw an increase in the numbers of parents choosing state education at the start of the school journey and then considering state provision again as their children reach sixth form age.

For three quarters of those schools that participated in our research, affordability was a critical strategic issue. Many heads and bursars identified the pressure on school funds and fundraising to generate increasing levels of bursary funding as a particular challenge. Fundraising was a focus for the majority of schools in our research. Indeed 60% of those schools who did not currently have a fundraising office or development function were planning to introduce one. 82% of heads we spoke to said that the main focus of their development activity was to fundraise amongst alumni.

Our researchers discussed the pressures that head and bursars face when trying to set fees amid ever increasing costs – particularly teaching staff costs. Whilst the drive to increase income continues, so too does the imperative to drive down costs wherever possible. Strategic decision-making in schools is now often focused on plans, which in more prosperous times would probably never have been considered, and include changes to size and shape of school, changes to class size or even perhaps expansion through merger, acquisition or franchise (in the UK or overseas). The report reviews initiatives for both cost control and increasing fee income, which schools might consider to ensure they are not pricing themselves out of the market.

The report is available from RSAcademics at a price of £65 and RSAcademics can offer presentations to individual Governing Bodies. For further information or to order a report or inquire about a presentation please contact Jane Follows on 01858 467449 or jane@rsacademics.co.uk

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[1] *Centre for Economics and Business Research Report (2014), Killik Private Education Index*

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Future events

AGBIS Seminar for newly appointed Clerks to Governors*	02 June 2015
Finance for the Non-Financial Governor - joint seminar with AGBIS	10 June 2015
Network of Women Chairs	Dates available on our website

* haysmacintyre will be speaking at this event

For further information on 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 Charlotte Gibbons on cgibbons@haysmacintyre.com

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