

DURAND'S REVENUE MODELLING

Fundamental to the long-term success of Durand all-through Academy is not only the commitment to academic excellence, but also the robust financial model at its heart that will sustain and support the delivery of boarding provision four nights per week.

This project is innovative. No boarding school model like this currently exists in the UK, and breaking the mould and challenging the status quo is never easy. As Tony Blair put it, we should reconsider public services *and "try to measure them not against the 'givens' but against the contemporary reality, the potential and possibility opened up by change."*

The enormous potential here is evident. **Durand Academy will establish a low-cost model of state boarding which will provide a powerful and unique education experience otherwise not available to its intake.** Durand will listen to and learn from the best in state and private boarding to deliver this ground-breaking project.

The Boarding Model

How much will it cost and how can we deliver this so efficiently?

Durand Academy, with support from Durand Education Trust (DET), London Horizons Limited (LHL) and additional income as outlined below, is able to support the cost of boarding, because we look at exactly that – **the costs of boarding, rather than boarding fees.** Durand accounts for as much of the school day as possible out of the education budget.

Principally, we believe that boarding doesn't start until education finishes...

Durand Boarding Assumptions Vs the 'Norm'

With education and extended day activities (which we count as an education expense) running from 8:15am until supervised homework ends at 9:30pm, Durand is able to keep the costs specifically associated with boarding to a minimum, particularly on the staffing side. This is not to say there is not pastoral support during these hours, as pastoral support happens every day in every school.

This is a different assumption from that which many other state boarding schools take. As outlined in a letter from Melvyn Roffe - it is common for state boarding schools to assume that boarding costed hours start from 4pm, even though there are still educational activities going on after this time. As such, as Mr Roffe explains, the boarding costed hours at a school that operates boarding for 4 nights per week would generally be assumed to be as follows:

Table: comparison of Durand's assumed boarding hours, against what would commonly be assumed in the state boarding sector



DURAND

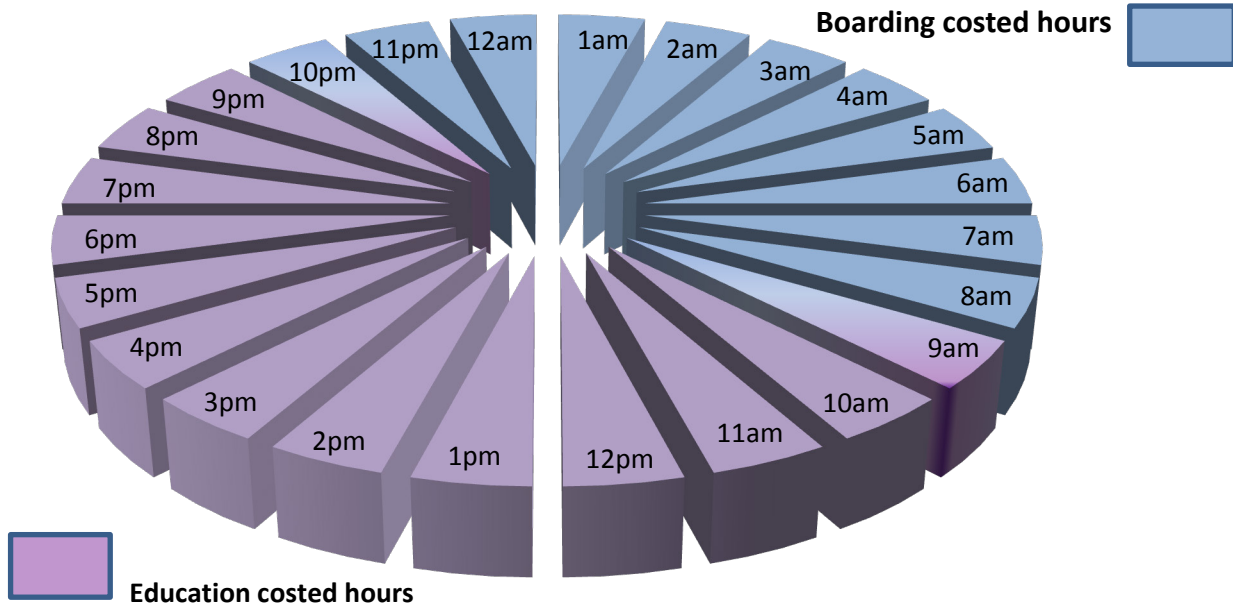
	Common state boarding school assumption	Total hours	Durand assumption	Total hours
Monday	08.00 - 09.00/ 16.00 – Midnight	9	21.30 - midnight	2.5
Tuesday	Midnight - 09.00/ 16.00 - Midnight	17	Midnight - 08.15/ 21.30 - midnight	10.75
Wednesday	Midnight - 09.00/ 16.00 - Midnight	17	Midnight - 08.15/ 21.30 - midnight	10.75
Thursday	Midnight - 09.00/ 16.00 – Midnight	17	Midnight - 08.15/ 21.30 - midnight	10.75
Friday	Midnight - 08.00	8	Midnight - 08.15	8.25
Total boarding hours per week		68		43
Total boarding hours per year (assuming 38 weeks)		2584		1634

As the table and the info-graphic below show, comparing Durand’s assumed boarding costed hours to the boarding costed hours commonly assumed within the state boarding sector gives rise to a difference of 25 hours per week, or 950 hours per year - delivering a significant cost saving for Durand.

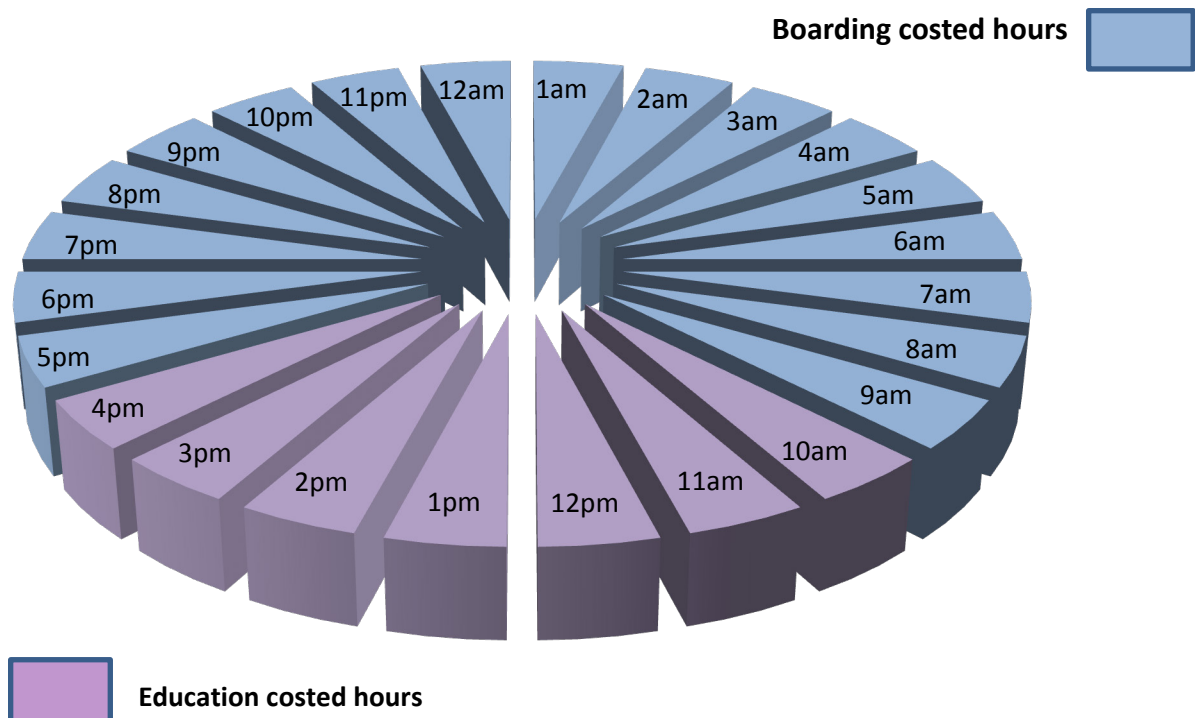
Durand very much respects the models of different schools, which vary greatly and are hard to compare, but this is a different proposition...



The Durand Approach



What Others in the Sector Assume





The fact that Durand’s boarding costed hours run from only 9:30pm until 8:15am; the fact that the school operates boarding for each child four nights a week; and the fact that we do not accept that all traditional costs associated with boarding need to be funded separately means Durand is able to achieve an estimated cost per pupil to board for a year of **£2051.00**. We do not contest that the cost of boarding figure would be a lot more were we to consider boarding and education hours differently. In fact, if we maintained all of our core cost assumptions but just adjusted boarding staffing costs to start at 4pm and end at 9am, as others do in the sector, our model would be around £1000 per pupil per year higher at £3,052 per year.

Our costs are broken down as follows, by 2016/17 when all year groups are in the school:

Traditional Boarding Costed Items	Durand Cost when 375 Pupils	Evidence/Rationale
Laundry Costs - Linen Rental, Washing and Delivery	9,975	Costs verified with supplier
Laundry Equipment and Laundry Contingency	9,100	Costs verified for machinery and estimated for contingency
Cleaning Materials	5,625	Benchmarked with Durand Academy and uplifted - £15 per pupil per annum.
Marketing	0	Not considered a boarding cost. Entry point for the school is reception, so marketing would be funded from primary budget
TV/Telephone	3,150	Costs verified – 1 communal TV (£350)per 25 pupils, telephone identified as education cost.
Consumables	7,500	Based on £20 per student per annum – children will bring their own toiletries
Catering	270,000	Costs verified for main catering and benchmarked against sector. Plus additional 50p per boarder per day for snacks.
General Maintenance	8,750	Maintenance costs attributed to boarding only for breakages, vandalism. Buildings are school buildings so school funds will be utilised for maintenance.
Subscriptions	0	Not considered a boarding cost. No subscriptions will be associated with boarding only.
Electricity	26,500	Costs based upon contractor life-cycle calculations uplifted for full site. ¼ of full site energy costs are attributed to boarding.
Water Costs	46,162	Benchmarked with London Horizons Ltd usage and extrapolated against pupil numbers.
Extra-Curricular Activities	0	Not considered a boarding cost – the extended day is a core part of the education provision at Durand
Staffing	337,395	Proportion of salary of House Masters, Matrons, Cleaners and 1 of 2 nurses on site. All salaries and expectations of staff benchmarked against state boarding sector.
Fixed Assets	37,500	Fixed asset fund starts building after year 3 of the school being operational.
Transport costs	0	Not considered a boarding cost – essential to the education provision. Costs approved by current supplier
Insurance	0	Insurance is a school cost, not a boarding cost
Professional Costs	0	School costs, not boarding costs
Contingency	7,500	Reasonable contingency built in as buffer
Total Costs	£769,157	
PBPA (Per Boarder Per Annum)	£2,051	

The boarding school will be part of a thriving all-through school that starts at nursery. Durand already serves over 200,000 meals per year and our supporting enterprise LHL runs accommodation professionally, so Durand has good purchasing power to drive down costs from suppliers.

Providing **high quality food** - ethically sourced and farm assured wherever possible - is of vital importance to Durand and always has been. Underpinning this is an understanding that healthy bodies lead to healthy minds; excellent food is crucial to allow our pupils to perform to the best of their abilities. At the Upper School, children will not only benefit from homemade wholesome meals, but will also have access to a kitchen garden, sponsored by our caterers, so they can learn where their food comes from. Our kitchens will abide by strict food safety standards, the highest levels of which are already achieved in the primary school every day.¹ We budget for food at comparable costs to other schools – but due to the significant economy of scale that we will achieve across three sites, we will be in a position to invest even more into the quality of our food, so standards will be very high.

Our model is supported by:

- Third party providers verifying costs of delivery of goods and services
- An independent review by the Academy's auditors
- Comparisons with other state boarding schools
- Consultancy and advice from experienced experts across the sector
- Detailed projections for staffing costs and other costs
- Reasonable forecasts of non-public income based on historical data
- Additional evidence of demand to support any forecast growth in income
- The Academy's own experience of providing accommodation through LHL
- Buy in by existing staff on the staff subsidy and extended day
- Applications and expressions of interest from professionals wishing to work for us

¹ <http://www.scoresonthedoors.org.uk/business/durand-academy-london-309882.html>

Income to Support the Model

London Horizons Ltd

London Horizons Ltd (LHL) provides private leisure and accommodation facilities on the site of the Durand Academy in Stockwell. All assets and buildings as such belong to Durand Education Trust, and profits generated by London Horizons Ltd are gift aided to the Durand Education Trust (DET), to support the continued development of outstanding opportunities in education for children at the Durand Academy. London Horizons Ltd has won multiple awards for its work to support the school.²

It is thanks to the donation of funds from LHL into DET, that Durand Education Trust is able to purchase St Cuthman’s, a former boarding school site which will be brought back to its former glory for this inner-city intake.

Assumed increases in the income available from LHL going forward are evidenced not only by 17 years of business growth, but also significant demand for key worker and international student accommodation in London, which cannot currently be kept up with. Demand far outstrips the supply LHL can currently offer.

Table: LHL revenues from 2011, projected to 2018

LHL Revenues	Beds	LHL Revenues	Source of growth
Year to March 2011	75	£350,120	Original setup
Year to March 2012	92	£486,688	Increased capacity
Year to March 2013	92	£503,079	Reduced costs
(Projected) Year to March 2014	110	£635,467	20% greater capacity utilising current space
(Projected) Year to March 2015	132	£712,512	20% greater capacity utilising current space
(Projected) Year to March 2016	132	£712,512	No growth assumed
(Projected) Year to March 2017	132	£712,512	No growth assumed
(Projected) Year to March 2018	132	£712,512	No growth assumed

Without creating any additional rooms, but by maintaining occupancy rates and maximising current capacity, it is prudent to assume LHL will meet the £435,845 (2014), £619,179 (2015) and £712,512 (2016 onwards) committed to supporting boarding costs.

² http://www.lambethbusinessawards.co.uk/winners#block-views-winners-block_4

The pupil premium

The Government believes that the pupil premium, which is additional to main school funding, is the best way to address the current underlying inequalities between children eligible for free school meals (FSM) and their peers by ensuring that funding to tackle disadvantage reaches the pupils who need it most.³

Head teachers and school leaders are able to decide how to use the pupil premium, being held accountable by outcomes for disadvantaged children compared to their peers. Durand believes that there is no stronger tool in addressing the disadvantage faced by its intake than through this boarding project, so pupil premium for the children on free school meals at Durand Upper School, plus approximately two thirds of the pupil premium allocated to the first two years of the secondary school will be allocated to support the costs of boarding and help to deliver this ground-breaking project.

Income value to support boarding when 375 pupils = £243,100 per annum

Lunch money

Phased, small incremental increases in charges for meals at the academy currently heavily subsidised has a big revenue impact, positively supporting the cost of boarding long term

Income value to support boarding when 375 pupils = £29,920 per annum

³ <http://www.education.gov.uk/schools/pupilsupport/premium/a0076063/pp>

Summary

As demonstrated in the table below, even without taking into account existing surpluses in the bank and the likely increase in earning potential of LHL (see contingencies), the basic income over expenditure calculations for the boarding school show that the model produces a surplus when the school has 375 children present.

Table: Upper School income over expenditure for 2017/18

Assumed core income to support boarding 2017/18	Cost of boarding by 2017/18
LHL - £712,512	Laundry Service - £9,975
Pupil Premium – £243,100	Laundry Equipment - £9,100
Lunch - £29,920	Cleaning Materials - £5,625
	TV/Telephone - £3,150
	Consumables - £7,500
	Catering - £270,000
	General Maintenance - £8,750
	Electricity - £26,500
	Water Costs - £46,162
	Staffing - £337,395
	Fixed Assets - £37,500
	Contingency - £7,500
TOTAL INCOME = £985,532.00	TOTAL EXPENDITURE = £769,157.00

From the beginning of this process Durand has continually been listening, learning and adapting, taking advice from experts in the state and private sector, legal, planning and financial worlds, constantly challenging and refining the model.

To some extent planning considerations and design have also pushed the model forward, with design changes causing a rethink in the way we configure staff accommodation and manage rota systems. This has led to us investing in more dedicated, permanent pastoral resource, which is supplemented by a rota of support, taking our cost per boarder from £1300 to £2051 per year – still representing outstanding value for money.

Durand’s Boarding Adviser, Matthew Oakman, of Wellington College commented:

“I have met with the Executive Head and Finance Director of Durand Academy and discussed their boarding model in detail. I understood how they arrived at the very low figure of £1300 per boarder per annum and the innovative approach to staffing costs and boarding hours that underpin the model.

“To strengthen 24 hour cover in case of an emergency I have advised that they consider a greater stability in their approach to staffing where those responsible for the care of the boarders - Housemasters and matrons as they would be at Wellington - are identified as

specific individuals rather than being provided on a rota basis. Durand have said they will incorporate this advice and that they expect these staffing costs would then need to be considered as boarding costs. I have been clear that I believe this stability is of great value in terms of both the education and wellbeing of the pupils.”

Taking this advice and that of our architects on board, Durand indeed enhanced the staffing model and increased boarding costs, bringing forward the **£2051 per pupil model**. This is still a very low cost boarding model, with a highly competitive deal for potential staff of the Academy.

RISKS & CONTINGENCIES

Risks

The top 5 operational risks are identified as follows:

1. Failure to attract the best staff to St Cuthman's to oversee the boarding model
2. Attract good staff but they don't want to live on site
3. Reduced pupils numbers impact on revenue funding and sustainability of model
4. Despite demand for rooms LHL planned capital build not achieved
5. Boarding costs are more than expected

1. Failure to attract the best staff to St Cuthman's to oversee the boarding model

Management strategy – Generous staff salaries **have already been budgeted in** to allow for flexibility in the offer to staff if Durand needs to pay generous salaries to attract the best. DAT needs to ensure it clearly communicates the benefits of the staff package - showing shorter week, longer weekend, commitment to Working Time Directive, good pay, subsidised rents in an area with high property prices, furnished apartments, access to a car pool. All staff need to buy into the ethos and vision.

2. Attract good staff but they don't want to live on site

Management strategy – Durand has assumed in planning that 27 members of staff will be non-residential, so the model is not contingent on all staff living on site. Additionally Durand has budgeted for a flexible subsidy model so that the staff budget has room to respond to specific, individual staff circumstances. Durand is allowing for competitive salary packages to ensure it can afford to attract and retain the best. For more junior staff, DAT needs to communicate the staff deal effectively. However, were we to be unable to recruit the appropriate numbers of staff to live on site and oversee the extended day, we would recruit locally for additional support, funding by identified annual primary surplus or contingency.

3. Reduced pupils numbers impact on revenue funding and sustainability of model

Management strategy – DAT to ensure continued engagement with parents and local community in London to ensure full uptake for boarding school places. Note that significant new affordable and council housing is being built opposite the Durand early years site, the entry point for the all-through academy. Durand has a 'distance from the school gate' priority in admissions, so would actively market to these parents:

<http://www.lambeth.gov.uk/Services/Environment/Regeneration/MyattsFieldNorthRevelopment.htm>

Should Durand children opt out of the boarding school, Durand would start to market places and fill places as per admissions criteria through in year admissions.

However, sensitivity analysis shows that in the 375 model, St Cuthman's can cope with a dip of 25% in pupil numbers and sustain itself without drawing on any contingencies if it adapts its staffing model and other costs in accordance with the reduced funding available. This is not preferable for the school, but it can be adjusted to in the worst case scenario.

4. Boarding costs are more than expected

Management strategy – Careful cost control, generous budgeting for forecasted costs and efficient cost management, all of which DAT have an extensive track record of. Costed elements have all been benchmarked and should continue to be so regularly going forward. A contingency line is already worked into the boarding budget to offer a buffer and planned income versus expenditure forecasts a significant surplus generated each year which acts as a further form of comfort. Should costs increase beyond the surplus and contingency amounts identified in the boarding model, significant contingency options are in place.

If costs increase 25% with 375 children at the school, Durand can cope with the costs without utilising any contingencies.

5. LHL anticipated growth not achieved – flat-lining at £635,467 income per annum

Management strategy - Continued active promotion of LHL rooms and gym membership by internal team, to maintain current exceptionally high levels of demand. Intensified marketing to new growth markets in USA, India and China

High level contingencies

We have substantial additional contingencies in place to manage any risks that come through. Amongst the high level contingencies available are:

1. Contingency line built into budgets - £7.5k
2. Surplus of income over expenditure each year - £216k
3. Staff contribution to rents – scalable, up to £32k
4. LHL accumulated surpluses
5. Additional income should planning permission be achieved for more LHL beds – scalable, up to £293k
6. Structured rise in After School Club contributions at primary school, from £7.50 to £12.50 per week (still much less than the local norm in South London) – £46k

Concluding comments

With years of planning, challenging, testing, consulting and adapting, Durand has brought together a robust plan to extend its provision in a sustainable way, to offer children from inner-city London the type of education that would never normally be an option for them.

Whilst this project is unique and indeed highly innovative, what underpins it is substantial planning, consideration, evidence gathering, listening, learning, benchmarking and most importantly, a commitment to deliver for each child that steps through the gates.

We look forward to delivering this ground-breaking scheme, which challenges the norms in education and aims higher for every child.

