

ST MARY'S CENTRE OF EXCELLENCE

Business Plan

April 2021

TABLE OF CONTENTS

1.	INTRODUCTION	3
1.1	Introduction and background.....	3
1.2	Features of the site.....	3
1.3	Creation of a 4-19 school for Dorset children and young people with SEND.....	4
1.4	Vision for a Centre of Excellence at the St Mary's site.....	5
1.5	Phased use of the site.....	7
1.6	High Needs Block funding national and Dorset context	8
1.7	Corporate model.....	9
1.8	Governance structure.....	11
1.9	Land to be used by the Company	12
1.10	Risk assessment	12
2.	FINANCIAL FORECAST	14
2.1	Financial Forecast September 2021 - 2026	14
2.2	Staffing	16
2.3	Surplus and deficit treatment.....	16
3.	IMPLEMENTATION PLAN.....	17
3.1	Implementation roadmap.....	17
3.2	Workstream plans	18
	APPENDIX A – FINANCIAL MODEL ASSUMPTIONS	20

1. INTRODUCTION

1.1 Introduction and background

The purpose of this Business Plan is to set out the roadmap to operate the St Mary's School site, in particular to establish an independent 4-19 school for Dorset children and young people with SEND, alongside the wider vision for the use of the St Mary's site as a Centre of Excellence.

Dorset Council would seek to form a separate incorporated entity for the purposes of running the independent special school and the wider site. This Business Plan sets out the model proposed for the operation of the site, a five-year financial forecast and a high-level roadmap of the key activities to deliver the plans in the first year, alongside the risks and opportunities associated with these activities.

1.2 Features of the site

At the site there is a main school building, assembly hall, large canteen refectory, many classrooms and small study rooms, as well as science laboratories, an art block and studios. There is a music block built in 2003 with an auditorium, a language block built in 1990s, conference facilities, a junior school built in 2000, a medical centre and a library. There is a drama studio which was converted in 1995, a gymnasium and purpose-built sports hall developed in 1992 with changing rooms and an indoor swimming pool complex built in 2006. There is also extensive living accommodation (former boarding houses) built from 1990s and extended in 2011, staff houses, a chapel and more. Outside facilities include playing fields, sports pitches and woodlands.



1.3 Creation of a 4-19 school for Dorset children and young people with SEND

Dorset Council is ambitious for its children, young people with SEND and increased vulnerabilities to provide a great education and support strong life outcomes.

In the Dorset's Council Plan 2020 – 2024, the Council set out its vision to provide more specialist education within Dorset for children with complex communication and learning needs.

In the Council's Children and Young People's 2020 – 2023, it set out the vision for the Council to create an education community that delivers the best outcomes for our children and young people, together.

Dorset Council's SEND Capital Strategy 2020 – 2025 sets out the significant and growing pressure the Council's specialist provision is currently under and features proposals to expand provision by approximately 500 high quality and economically efficient places across the council area.

As a site previously used for educational purposes, the St Mary's site can support the operation of an independent special school for approximately 280 children and young people, aged from 4-19 years.

An independent special school at St Mary's is expected to meet the needs of children and young people with social communication, social emotional and learning needs, such as those associated with Autism Spectrum Condition, which represents the largest group of children and young people supported by an Education, Health and Care Plan (EHCP) in Dorset and nationally.

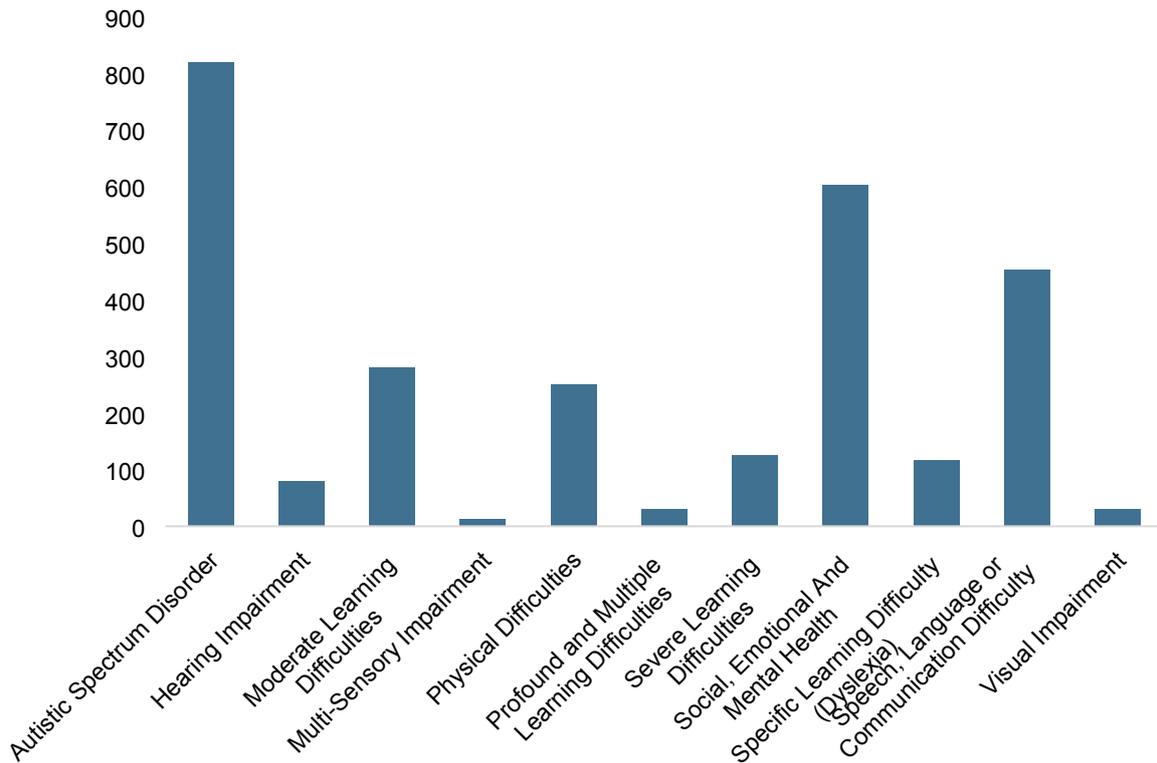
Through detailed analysis of the children and young people with EHCPs in Dorset, approximately 30% - 35% (1,000) live within a 60-minute drive of the site; many children and young people travel this distance or further already.

Whilst the Council is fortunate to have excellent special schools and specialist provision across Dorset, there aren't currently enough high quality and economic and efficient places for all the children and young people who presently need them.

Currently more than 250 Dorset children and young people with SEND are educated in expensive, privately operated independent provision, many far out of our county. This currently costs around £14 million a year. Travelling far from Dorset is not good for our children and young people and we want more of our children and young people to be educated closer to home.

The creation of a separate but wholly owned company to operate an independent special school will support the Council in delivering high quality, economic and efficient educational provision for the children and young people of Dorset and reduce the reliance on costly privately operated independent provision. The objective of this proposal is to help the Council secure value for money and Best Value in the delivery of these services and thus proactively address and mitigate the financial risk to the Council.

Dorset SEND EHCP cohort by primary need



1.4 Vision for a Centre of Excellence at the St Mary’s site

The St Mary’s site offers large grounds and extensive facilities which lend themselves to wider educational and community benefits the site could bring in the longer-term to assist the Council in the delivery of its wider statutory functions, that would complement the creation of an independent special school.

The development of a Centre of Excellence over time would support the Council in delivering a benefit to the Dorset community through learning and the promotion of healthy living, but also act as a beacon for Dorset as a national centre of learning for professionals working with vulnerable children and young people.

We recognise that the quality of educational provision cannot exceed the quality of its professionals and the Centre of Excellence can become a leader in professional practice, promote high standards in education and enable the fulfilment of the potential of children and young people to the benefit of Dorset, the South West region and nationally.

The vision for the Centre of Excellence is that first and foremost that it is a welcoming environment that keeps children and young people safe from harm. The safeguarding responsibility of the Company is a foundational pillar of the delivery of provision from the site.

The wider aspiration is that the site is:

- a place where high quality and engaging learning happens for children and young people, such as through the special school, Post-16 provision and Alternative Provision as they prepare for adulthood, to facilitate delivery of the Council's statutory functions under the Education Act 1996
- a place to bring together a rich learning community of research and practice that delivers nationally leading professional practice, to facilitate delivery of functions under the Education Act 196 and the Local Government Act 1972
- a place that improves everyone's wellbeing through restorative practice, therapeutic support and social prescribing, to facilitate delivery of functions under the National Health Service Act 2006
- a place where children, young people and their families can benefit from accessible and fun short breaks and respite, to facilitate delivery of functions under the Children Act 1989 and the Childcare Act 2006
- a safe place for children in care to reach their full potential, including those that are residentially placed at the special school, to facilitate delivery of functions under the Children Act 1989, the Education act 1996 and the Childcare Act 2006
- a place where our culture and partnerships are embodied and strengthened, pursuant to the Council's general power of competence under the Localism Act 2011 and incidental powers under the Local Government Act 1972.



1.5 Phased use of the site

The use of the facilities on the site is likely to be phased over the first three years of the operation of the company, as the independent special school grows. This would allow different parts of the site to be brought online as set out in the vision, but with the necessary safeguarding arrangements in place to meet the company's legal duties.

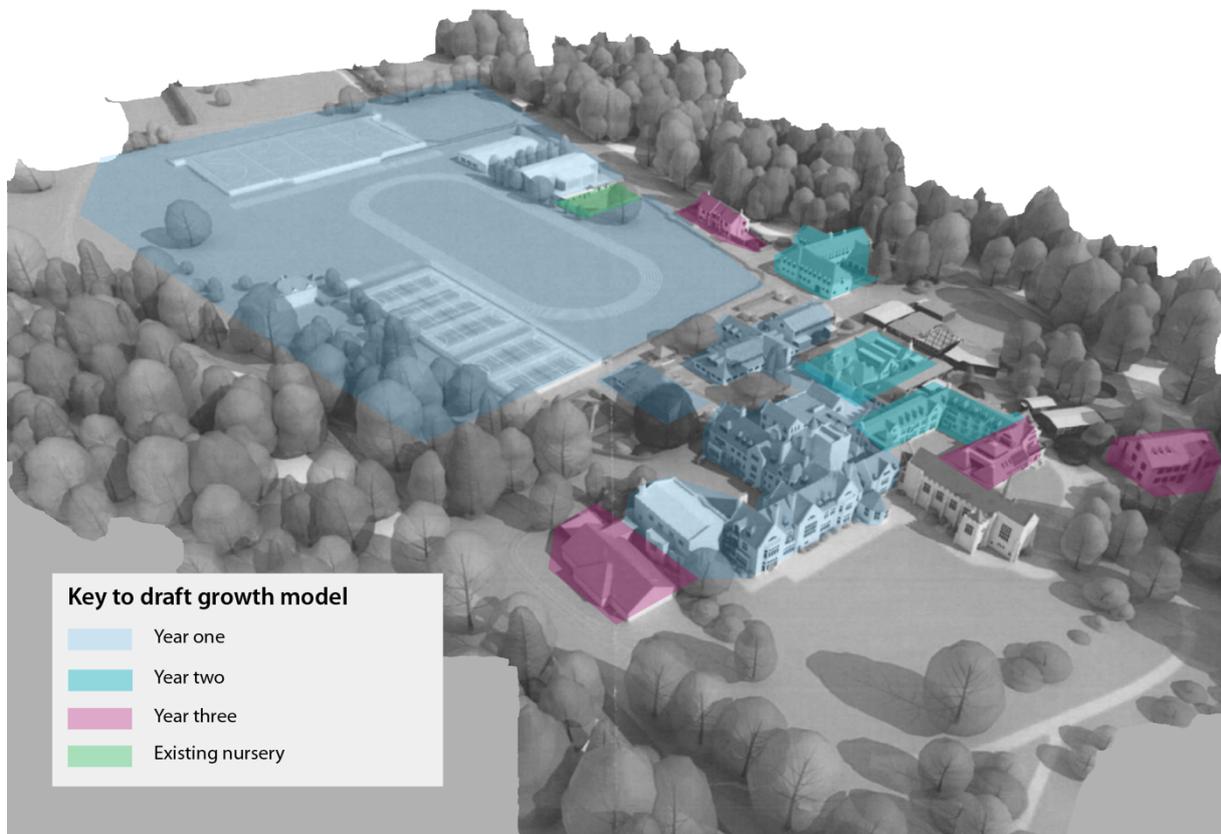
In year one, the independent special school will begin to operate in the learning, administrative and outdoor spaces to deliver the curriculum and functions of the school, alongside the research and practice facilities.

In year two, more learning spaces will be brought online as the school grows and requires more learning spaces and exploration of residential boarding facilities will likely be open.

In year three, the remaining learning spaces will be operationalised to accommodate the school's growth.

The wider community use of the facilities by the public, such as the swimming pool and sports facilities will need to be considered alongside the Company's safeguarding duties related to the operation of a school for vulnerable children and young people. Consideration

will also need to be given to the Covid guidance that is relevant at the time. For these reasons, it is unlikely the community facilities will be able to be used by the public in the first year of operation, however business planning in year 2 and 3 will take place to consider how and in what way this can be accessed safely and accessibly.



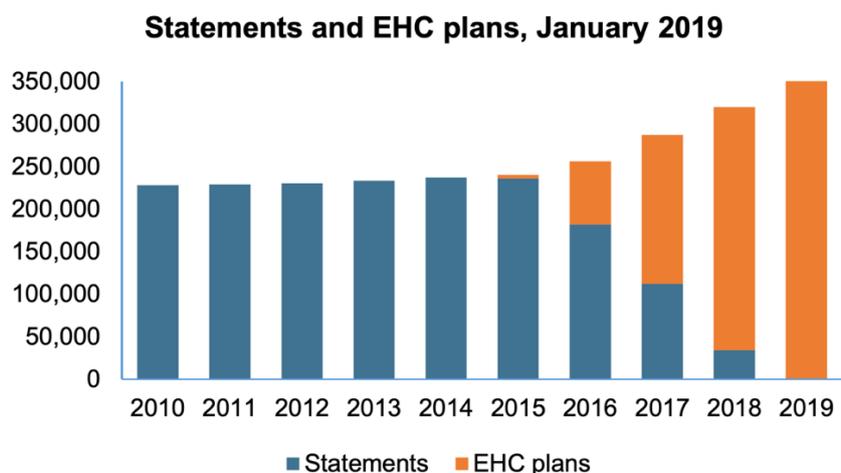
1.6 High Needs Block funding national and Dorset context

High needs funding is provided to local authorities through the High Needs Block (HNB) of the Dedicated Schools Grant (DSG). The high needs funding system supports provision for children with special educational needs and disabilities (SEND) from their early years to age 25, to support local authorities to meet their statutory duties under the Children and Families Act 2014.

Changes to the SEND 0-25 Code of Practice in 2015 placed additional responsibilities and associated pressure on the funding levels, to the extent that many local authorities are finding it difficult to deliver statutory duties within the budget available.

The number of children nationally with SEND has continued to increase year on year since 2014, when the Children and Families Act came into effect. Nationally there were 354,000 children with SEND (supported by an Education, Health and Care Plan) as at January 2019.

This is an increase of 34,200 (11%) from 2018. Locally in Dorset, the number of children with SEND has grown broadly in line with national trends.



The future financial responsibility for High Needs Block overspends poses a significant financial risk to Dorset Council. The HNB in Dorset has been overspending for five years. As at 2019-20 the cumulative deficit totalled £21.9m. The forecast high needs block overspend for 2020-21 is £16m, which will increase the cumulative deficit to £37.9m at the end of 2020-21.

In response to this challenge, Cabinet approved a business case for the purchase of the St Marys School site in December 2020. At the heart of the business case is financial modelling which demonstrates that placements in privately operated independent special schools are typically costing on average £60k per year, whereas more efficient provision at the St Mary's site could potentially reduce that cost to £40k per year, and, as capacity increases, lower still as set out in the financial model.

1.7 Corporate model

Several potential corporate models were considered as part of the business planning process, with legal advice, to determine the risks and opportunities of each option. The models considered include the use of a Charity, a standard Company Limited by Shares, Community Interest Company limited by shares and an Arm's Length Management Organisation.

Relevant considerations were given to choosing a structure that allows sufficient control over the admissions to the school, is flexible enough to innovate and can maximise the reinvestment of any surpluses back to educational and social benefits for the community of Dorset.

Upon analysis of the key considerations and advice from experts, it was determined that the form of company is likely to be a Company Limited by Shares (which may be established as a standard or Community Interest Company) as the other options did not satisfy the key

considerations. The precise type of Company Limited by Shares (e.g as a Community Interest Company) will be determined before the Company is registered with further relevant legal advice where needed.

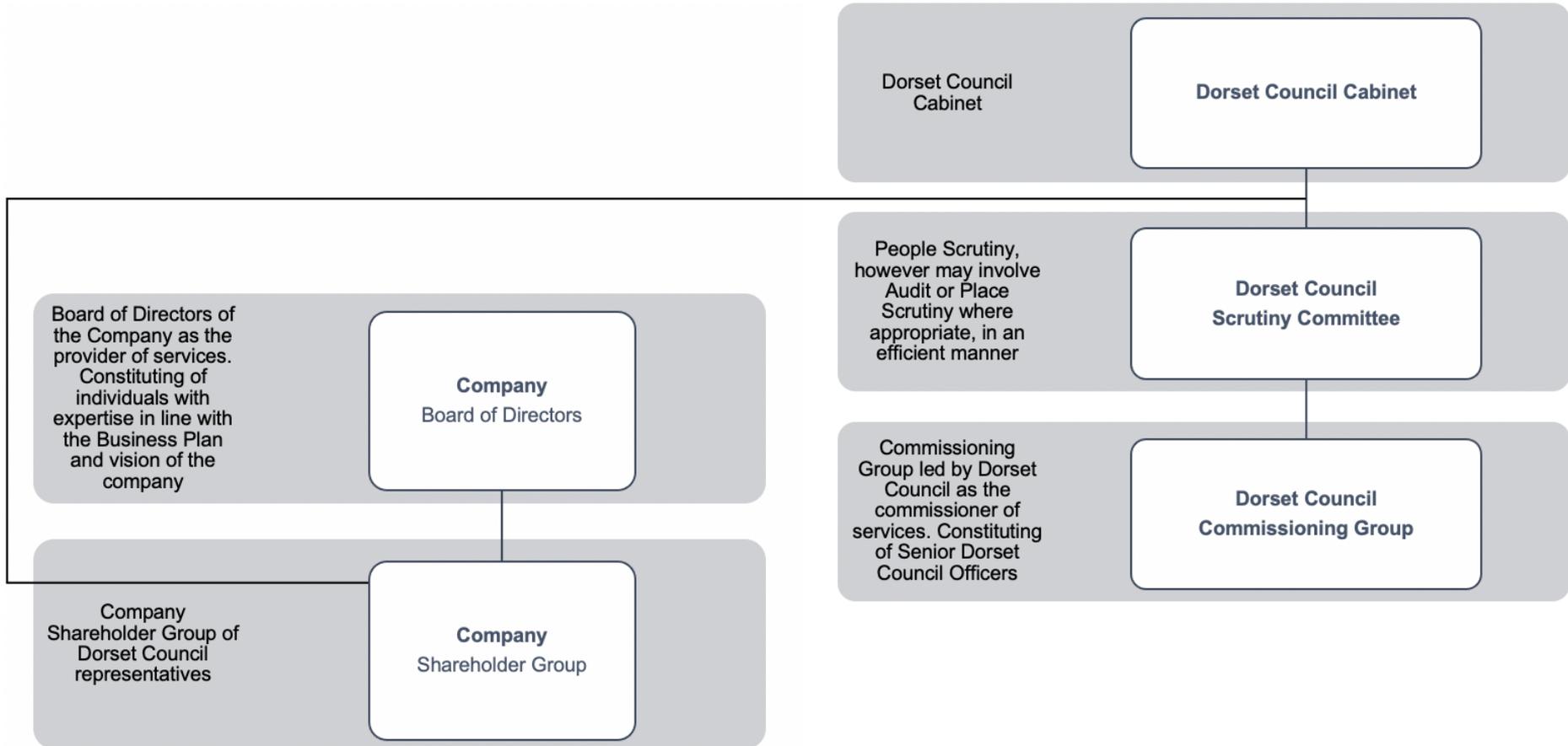
At this stage, the planning assumption is that a single company will be established to operate the business on the St Mary's School site. Consideration is being given and advice taken about the most tax-efficient and commercially beneficial accounting structure to enable the company to operate, provided that structure will be acceptable to key funders and stakeholders. If a more efficient and HMRC compliant VAT treatment is identified, the VAT which is shown in the business plan, may be recoverable, subject to any limit set by HMRC.

The Company will be wholly owned by the Council meaning all decision-making will rest with the Shareholder Group and Board of Directors. Details of the arrangements for decision making will be set out in the Company's Articles of Association and constitutional documents, ensuring that the Company has sufficient operational freedom to thrive as an innovative venture to support the needs of Dorset's children and young people.

As noted elsewhere in this report, for business planning purposes, the school and the Company are treated as indistinguishable. The focus of the Business Plan and Officer effort is to establish the school and to deliver the requirements set out in this plan alongside the longer-term vision for the site. However, in time, additional commercial options for income generation are likely to present themselves on the site and this will be taken into account when determining the type of Company to be established.

The Council will set up a commissioning arrangement between the Council and the Company to secure and monitor the quality of provision.

1.8 Governance structure



Alongside the governance for the Company, the independent special school may operate a governing body that supports it in engaging with its families and community.

The company may also create or convene a Consultative Stakeholder Advisory Group of experts and stakeholders that can gather insights and share best practice.

1.9 Land to be used by the Company

The Council acquired the freehold of the former St Mary's school site, land and buildings. The purchase price and capital and revenue costs to bring the school into proper condition were not supported by external capital investment (such as borrowing or grant funding) and therefore will be funded from the Council's own resources. There will be a cost incurred to the Council of minimum revenue provision, and other costs of capital, so consideration will need to be given as to how the Council may treat this cost.

A lease will enable the Council to retain control of the freehold of the site whilst enabling the Company to deliver services and comply with their safeguarding responsibilities.

A rental charge will be required, and an assessment of the rent and the term the lease will be established between the Council and the Company. This will give due consideration to value for money and the best consideration reasonably obtainable and also take into account the Company's promotion of economic and social wellbeing in Dorset.

Stamp duty land tax (SDLT) implications depend on the type of Company established, the length and value of the lease to be granted and this will be taken into account when determining the type of Company to be formed.

1.10 Risk assessment

The Council has invested significant sums into the site and there will be continuing investment as the Company develops provision and potentially other services over time. This initial and ongoing investment will need very careful management and planning to ensure it continues to deliver the benefits for the Council and its relevant budgets.

A number of risks are emerging which will be managed and reported through the Project Board and maintained through a risk register.

The most significant legal risk at this stage arises because local authorities under current education legislation do not themselves have an express power to establish new schools. It is a grey area whether establishing a company to run the school resolves this issue. To mitigate this risk the Council has a transparent decision making process which has regard to views expressed during consultation and other relevant considerations and in all aspects considers it is acting for a proper purpose.

The most significant financial risk at this stage is that the school is unable to deliver the overall reduction in the average cost of SEND placements and therefore the deficit on the

High Needs Block (HNB) would not be brought down. It is possible for the St Mary's site to be a success in many ways yet still not reduce HNB costs so it is critical that this risk is mitigated, especially given that the majority of the Company's income will be derived from the HNB budget.

It is also important to note that in the early years of the business plan, the Company will be running a cumulative deficit and this will need to be supported by the Council. It is therefore important to highlight that the planning assumption for financing the Company is that all costs prior to the Company starting to trade will be absorbed by the Council. These costs will be a call on reserves and a clear forecast of these will be monitored so they can be incorporated into the Council's reserves strategy. These costs will impact on the Council's outturn in 20/21 and 21/22 before the company starts trading.

2. FINANCIAL FORECAST

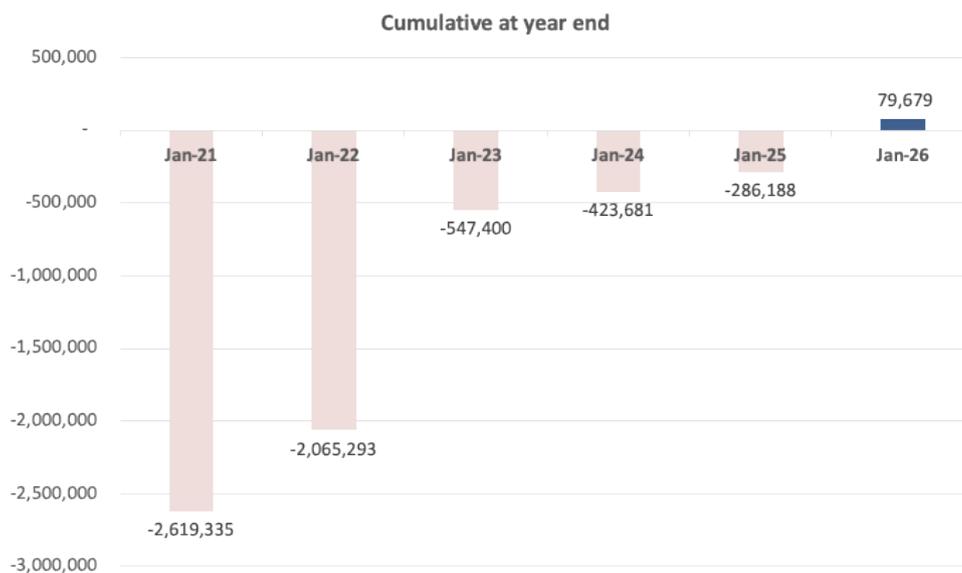
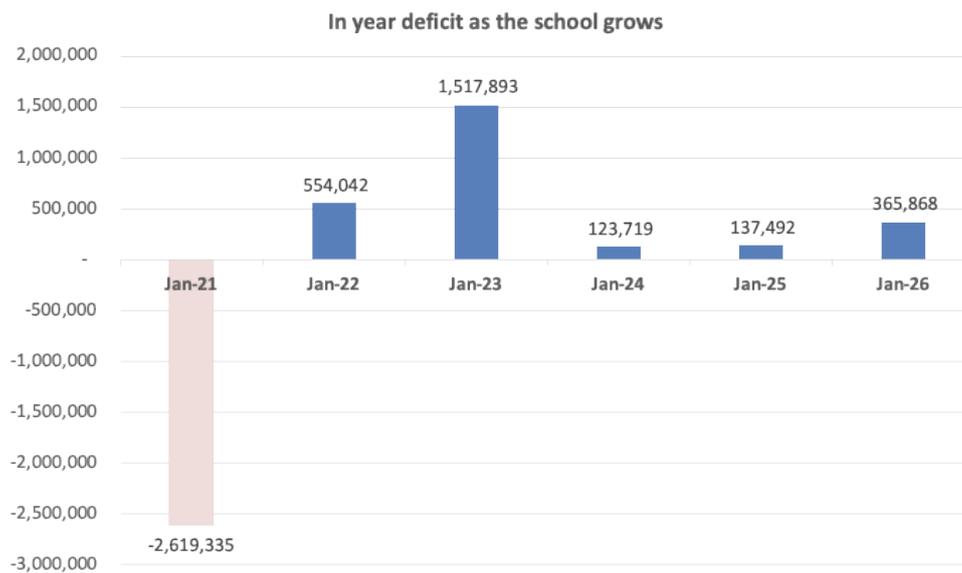
2.1 Financial Forecast September 2021 - 2026

The cash Income and Expenditure forecast is set out in the table below:

Pupil numbers	60	120	160	200	240	280
Academic year	Sep-21	Sep-22	Sep-23	Sep-24	Sep-25	Sep-26
EXPENDITURE						
Teaching Staff	565,532	1,359,854	1,675,010	2,190,969	2,553,954	2,940,553
Non-Teaching Staff	1,021,140	1,605,076	1,863,222	2,202,775	2,603,861	2,921,632
Supply Staff	43,830	53,631	78,261	88,062	94,944	159,402
Indirect Employee Expenses	25,000	17,587	19,534	26,000	33,225	57,962
Training Expenses	20,000	14,353	19,816	22,592	30,366	37,328
Cleaning Contract	100,669	100,669	100,669	100,669	100,669	100,669
Catering Costs	28,416	41,155	60,407	71,472	80,981	103,324
Grounds Maintenance	57,616	57,616	57,616	57,616	57,616	57,616
Repairs and Maintenance	100,737	100,737	100,737	100,737	100,737	100,737
Energy, Water, Other Occupation	225,000	225,000	225,000	225,000	225,000	225,000
Rates	112,000	112,000	112,000	112,000	112,000	112,000
Transport Costs	20,000	20,000	40,000	40,000	40,000	40,000
Admin Supplies (Stationery, Software Licenses, Subscriptions)	41,000	41,000	53,000	67,634	83,193	90,000
Insurances	16,000	17,000	18,000	19,000	20,000	20,765
Learning Resources inc ICT & Exam Fees	58,482	98,037	134,607	159,461	181,675	212,483
Legal and Professional Fees	20,000	20,000	20,000	20,000	20,000	20,000
Service Level Agreements	54,955	72,945	92,806	90,078	130,244	219,127
Rent	312,500	312,500	312,500	312,500	312,500	312,500
Unrecoverable VAT	127,369	139,078	156,964	164,516	180,304	205,756
	2,950,245	4,408,238	5,140,147	6,071,081	6,961,268	7,936,852
Initial Capital Investment	180,000					
Sinking Fund	125,000	125,000	125,000	125,000	125,000	125,000
	305,000	125,000	125,000	125,000	125,000	125,000
INCOME						
	from Jan	full year				
Income per pupil average	10,599	42,394	42,394	31,599	30,099	30,099
Fees for Students	635,910	5,087,280	6,783,040	6,319,800	7,223,760	8,427,720
TOTAL INCOME	635,910	5,087,280	6,783,040	6,319,800	7,223,760	8,427,720
Surplus/Deficit	0	-2,619,335	-2,065,293	-547,400	-423,681	-286,188
In year	-2,619,335	554,042	1,517,893	123,719	137,492	365,868
Cumulative at year end	-2,619,335	-2,065,293	-547,400	-423,681	-286,188	79,679

The financial forecast is based on detail analysed from the former St Mary’s School accounts, other similar special schools in Dorset and Department for Education benchmarking data for comparable special schools. The forecast is based upon an average class size of 8 which is comparable in a special school of this designation, however given the size of the site and facilities available, class sizes may be larger on average which would reduce the forecast costs.

Income is assumed to reduce on a per pupil basis in 2024/25 which would offer a more favourable charge to the Council to provide places, but reduce revenue for the company. The cumulative deficit is paid off in the following year taking it to a positive position from there onwards.



2.2 Staffing

Staff included in the financial forecast include a Chief Executive for the company, Finance and Operations Director and Marketing Manager.

Staffing levels built into the forecast for the school are typical for a special school of this size. A Headteacher and SENCO would be expected to be appointed as soon as possible to help set up and register the independent special school and support pupils and their families as they transition into the school for opening. In the autumn term it is assumed that at least 3 teachers and 2 Higher Level Teaching Assistant (depending upon pupil numbers) are employed along with the resource centre manager, a senior technician, an ICT technician and the premises manager, so that school can be set up ready for the first cohort of pupils.

The recruitment of a team is likely to require a combination of temporary appointments (such as secondments or interim appointments) to support the establishment of the Company and school while permanent recruitment of key educational and support functions can take place.

2.3 Surplus and deficit treatment

It is not the intention that the education activities at the site generate a significant surplus. The vast majority of income is derived from the High Needs Block of Dorset Council and this has been in deficit for a sustained period and one of the strategic objectives for the independent special school is to help to bring that budget back into balance.

Section 12 refers to how deficits in the early years of the business plan are proposed to be dealt with and it is anticipated that once the school is able to run at full capacity, the pricing strategy will reflect a lower average charge to Dorset Council per pupil to ensure no surpluses arise and that expenditure and income from education are in balance.

3. IMPLEMENTATION PLAN

3.1 Implementation roadmap

The independent special school would seek to open at the start of the academic year in September 2021 (taking on its first cohort of children in January 2022), however it is acknowledged that a large number of activities will need to be undertaken to both establish the company and set up the school itself, including approval from Ofsted at the registration inspection.

Admissions in special schools do not follow the typical application rounds as is the case for mainstream schools and academies, whereby parents and carers make an application during the admissions round and are then offered a place on the same date. In special schools, the allocation of provision can happen at any point in the academic year as needs demand and with the support of our parents, carers, young people and educational settings.

The plan is for the independent special school to open over a transitional period during the 2021/22 academic year, to ensure that the provision is of the highest quality, safeguarded and ready for operation. This will allow parents and carers to visit the school with the child or young person as part of a managed transition from their existing setting to the new setting and to reduce the anxiety that changing school can bring.

3.2 Workstream plans

Workstream	Activity	Timescale for delivery										
		2021										2022
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Education workstream	Independent school registration											
	Establish educational policies (including admissions arrangements)											
	Register for exam boards											
	Complete curriculum and lesson plans											
	Establish timetable											
	Procurement of therapeutic services (Speech and Language Therapy, Education Psychology and Occupation Therapy) as required											
	Establish partnership and supportive framework with existing Special Schools											
Finance and commercial workstream	Company registration ready for 1 st June 2021											
	HMRC registrations for tax											
	Set up accounts and accounting system											
	Set up bank account											
	Delegation of working capital											
	Establish finance and procurement policies											
	Appointment of auditors											
Communications and engagement workstream	Ongoing communications to residents, families and the wider education community to keep them informed											
	Video tour for parents/carers/families											
	Establish branding guidelines											
	Marketing and branding materials (such as prospectus, planners and website)											
	Establish uniform and supply											
	Reception set up											
	Launch event											
Property workstream	Approve scheme for IT and adaptations to site to support special education delivery											

Workstream	Activity	Timescale for delivery										
		2021										2022
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
	Delivery of capital scheme											
	Delivery of IT requirements											
	Develop energy and environmental strategy											
	Procure site services											
	Deep clean											
	Classroom set up											
	Handover of site											
Legal workstream	Establishment of company and appointment of Directors, ready for 1 st June 2021											
	Drafting Memorandum of Understanding, Articles of Association for 1 st June 2021											
Human Resources and Recruitment workstream	Appointment of key staff (interim during transition and permanent)											
	Set up pension arrangements for teaching and support staff											
	Establish HR Policies											
	Set up staffing contracts and terms and conditions											
	Establish payroll											

APPENDIX A – FINANCIAL MODEL ASSUMPTIONS

In order to create a financial forecast for the next five years, a number of assumptions have been made. The prime assumptions being:

- the school will open over a transitional period through the academic year 2021/22 and will begin to accept pupils at or before January 2022, at which point 60 pupils will take up a place. The school will grow to 280 pupils in the 2026/27 academic year, however this may be possible sooner as demand grows.
- The school will be organised into classes that take on average 8 pupils per class. This is in comparison to our 2 comparator schools which have average class sizes of 8.26 and 10.7 respectively. Any increase in the average class size will, by default reduce costs in the coming years. In special schools, class sizes can vary depending on the children's needs, age and support required.
- With these assumptions in place the school should remove the deficit it will have accumulated in 2026/27.
- The per pupil funding fee to be paid from the High Needs Block will be in line with the values set out in the Business Case to Cabinet on the 14th December setting out the case for purchase of the school. From 2024 onwards it is expected the Company will be able to reduce its per pupil fees.
- No inflation has been added to either the costs or the fees to be paid.
- Rent (or a contribution to return on capital employed) is included as is a sinking fund for capital purchases – a combined contribution of £500k per annum.
- Staffing in the opening years is 53% of total cost rising in 2026 to 77% (against a benchmark for state special schools of 81%) when the school is operating fully.