



Policy and Resources Committee

Date: THURSDAY, 19 OCTOBER 2017
Time: 1.45 pm
Venue: COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

ITEM NO.14

PROPOSED EXTENSION OF THE CITY SCHOOLS INTERNATIONALLY

Joint report of the Headmistress of the City of London School for Girls and the Head of the City of London School

**NB: At the meeting it was agreed that this should be considered as a public item.
Appendix 2 remains non-public.**

For Decision
(Pages 1 - 20)

**John Barradell
Town Clerk and Chief Executive**

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Committee(s)	Dated:
Board of Governors of the City of London School Board of Governors of the City of London School for Girls Education Board Policy and Resources Committee	30 January 2017 20 February 2017 25 May 2017 19 October 2017
Subject: Proposal to Explore the Extension of City of London Schools Internationally	Public
Report of: Ena Harrop, Headmistress City of London School for Girls Sarah Fletcher, Head City of London School	For Decision

Summary

The Boards of CLSG and CLS have been considering the possibilities and risks associated with international expansion. Both schools have been approached repeatedly over the last twelve months by a number of organisations. International expansion has been a strategy used by independent schools over the last ten years to secure additional funding and CLSG and CLS see this as a possible source of bursary funding at a time when fundraising is increasingly challenging. Both schools also understand the importance of international links in developing their educational provision in an increasingly globalised world. Both are interested in using an international franchise as a means of developing cross-cultural exchanges and collaborative ways of working to the benefit of staff and pupils. Positive links with other countries, through education, provide a wider vehicle for enhancing cultural understanding between continents and is seen by both schools as valuable as an end in itself. An international franchise would bring these threads together.

The two schools commissioned research from independent consultants and assisted the Town Clerk in producing a preliminary report which highlighted the potential financial and educational gains as well as further issues that would need resolving before any moves were to be made. A clear rationale for expansion that fits in with the schools' development plans, adequate resources to manage any projects and the most thorough due diligence when it comes to choosing a business partner and setting up an agreement will be of paramount importance to make any international project successful.

Unlike all other independent schools, the international expansion of CLSG and CLS carries reputational risks for the City of London Corporation as well as additional opportunities to increase its influence internationally in the post-Brexit world. Therefore, it is essential that a proper framework which gives due consideration to commercial, legal and reputational matters is produced and presented to members for approval before any expansion is considered. This paper asks for permission for further more detailed work to be carried out so that an options paper can be presented to members later in the year.

Recommendation(s)

Members are asked to:

- Note the report.
- Agree further exploration of the implications of International Expansion by City Schools. The outcome of this research to be resubmitted to the Committees for further consideration. Costs to be borne by the schools.

Main Report

Background

1. The City of London School and the City of London School for Girls both wish to increase income in order to provide funds for additional means-tested bursaries. This is in line with the aspiration of current government policy as set out in the Green Paper, to create “more good places in good schools” in particular for children from less well off backgrounds. While both schools are generously supported by the City, Livery Companies and private donors, this support has its limits and in a climate of economic and political uncertainty, it is widely recognised that fundraising is becoming increasingly difficult. It is worth noting that according to research by RSAcademics (Appendix 1), the numbers of HMC schools that currently raise in excess of £250,000 in fundraising a year is less than 10, with most schools raising up to £60,000. Other sources of additional funding, for example, increasing pupil numbers, are currently out of reach of the schools given that there is no obvious room for them to expand. Finally, there are growing concerns about the long term affordability of independent school education, given that fees have gone up in real terms by more than 40% in the last 10 years, according to research by Mungo Dunnett Associates. All of these considerations have led the schools to look at the possibilities offered by international expansion.
2. In the last twelve months, both CLSG and CLS have been repeatedly approached by organisations, including the former UKTI, looking to partner with us in a range of ways for international expansion. Both schools, with the approval of their boards, commissioned some preliminary research into the advantages and risks of international expansion. At the same time, both schools worked with Glenn Marshall as he pulled together a paper for the Town Clerk on International School Operations (Appendix 2). The paper provides a comprehensive list of issues that would need to be addressed before any expansion is considered. Both papers, however, concluded that the benefits of expansion, if the process is well managed, outweigh the potential risks.

Overview of the market

3. The market for English medium education has grown exponentially in the last few years and is predicted to continue to do so for the next 10 years at least. The

total annual fee income for this market has increased by 46% to \$39 billion between 2009 and 2014 with the expectation that by 2026, the market will reach 16,000 schools teaching 8.75 million students, generating a total fee income of \$89.3 billion. This demand for international school places, particularly those in non-English-speaking countries, is driven by two expanding groups: expatriates and local affluent parents who want to give their children a world class education that allows them to apply to UK and USA universities. It is also worth noting that the majority of this market is made up of budget operators, such as Cognita, Gems and Nord Anglia. The British Independent Schools sector, however, is in the premium sector of this market, and is therefore able to charge higher fees and command much greater profits. There are currently 43 overseas schools linked to 23 UK home schools, some of which now run a portfolio of multiple schools.

4. A number of British independent schools are already present in the market, with the Gulf States and South East Asia being the most common destinations. It is now the case that some markets have become saturated and are worth avoiding (such as Dubai and Qatar) but the potential for growth in South East Asia remains and new markets are beginning to emerge in South America and the Indian sub continent.
5. There are different models of expansion with different financial returns, all of which are explored in the two reports attached in some detail. The level of involvement of the home school can vary, but the most common start up model is the managed franchise, which allows the home school to retain a level of control and involvement in the management of the school, and in particular the appointment and training of staff and quality assurance. It is the most reliable way to ensure that the overseas schools replicate the ethos of the home school and it combines financial and educational advantages to the home school. This model is the one most likely to deliver the kind of educational links described in the summary above. It is certainly the model that both Boards expressed a preference for in principle at initial discussions. While this model requires greater initial and ongoing input from the home school, it also minimises reputational risks through greater oversight. However, this is not the only model possible and all models should be given due consideration. Ultimately, it is the purpose of an overseas expansion that should determine the right model.

The benefits

6. Because of their academic reputation, their record in sending pupils to top universities and the strength of the London brand, both CLSG and CLS are well placed to set up branded schools that can attract premium fees from parents. The potential for considerable financial returns is significant. Initial estimates suggest that an income in the region of £300-£450,000 out of a high end school with about 500 pupils is possible. As an example, out of their school in South Korea (1000 strong) NLCS currently funds 4 full fee bursary places every year, at an expense of £560,000 over 7 years.
7. Schools need to take care in negotiating a combination of an annual management fee for their involvement as well as a 2-5% of fee income. The

financial rewards can be considerably higher as the school grows and when multiple operations are set up, with some schools (NLCS, Brighton College, Harrow) now setting up Operating Companies to oversee their international operations.

8. Aside from the potentially substantial financial gains, there are additional benefits to be considered from an educational and reputational point of view.
9. An international school would allow CLSG and CLS to enhance the global aspects of the curriculum, creating opportunities for joint curriculum work with our partner schools abroad, students and staff exchanges and joint professional development and research. In the case of both schools, international expansion would reinforce a key point of the school's 5 year strategic development plan. The opportunities for all members of the school community would be considerable, and in an increasingly globalized world, the schools would be able to enrich and make even more relevant their educational model. This is an important consideration particularly when it comes to securing the positive engagement of all school stakeholders with the process. In fact, international expansion can have the effect of strengthening the brand.
10. In addition, the City of London Corporation brand stands to benefit potentially from the wider influence to be gained from the operation of a successful model of educational excellence in emerging markets in a post Brexit world. The setting up of City of London schools abroad would send a clear message that London is "open for business" and help establish further links in overseas destinations of strategic importance.
11. Finally, there are significant advantages in not being at the vanguard of international expansion. CLSG and CLS will be able to benefit from the considerable wisdom that has been gathered by schools and specialist consultants over the last 10 years. Lessons learned and common mistakes should allow us to avoid common pitfalls.

Risks

12. International expansion carries a number of risks with it that should not be underestimated.
13. The RSAcademics paper explains in details the difference between perceived risks which rarely materialise, such as brand dilution or loss of control, and those that pose a genuine threat to the project and the organisation. The real risks are commercial or legal failure and reputational risk linked to health and safety and child protection issues. In addition, there are risks attached to protecting the Trade Mark of the schools in a given territory. These risks can be mitigated through a range of strategies, on which several specialist firms can advise. An essential part is the drafting of a contract that protects the brand, includes break and penalty clauses within a given jurisdiction, secures the right financial returns for the school and accepts no compromises on health and safety and child protection. The advice of specialist lawyers with a good understanding of the local compliance context will be crucial.

14. The point about financial returns is particularly important. Of 43 overseas schools linked to independent schools in the UK only about half are currently returning significant financial contributions to its home schools (in the hundreds of thousands of pounds).
15. It is also worth noting that in the case of some independent schools who have seen some of their overseas operations fail (Dulwich, Mount Kelly), there has been no significant impact (if any at all) on the home schools. It would appear that geographical distance has the ability to protect the home schools from any issues abroad that may affect their reputation.
16. Unlike most other independent schools, in the case of CLSG and CLS there will be additional reputation risks beyond the schools themselves to the City of London Corporation that will need to be explored very carefully. These risks, however, will be no different to (and one could argue less significant than) the ones that are already being incurred through the City of London MAT. The model of risk limitation for the MAT involved the creation of a separate company. This possibility would be worth exploring for international expansion. It may be appropriate, for example, to set up City of London Schools International as a registered company and brand, where members are represented but which is separate from the City of London Corporation. This would also allow CLSG and CLS to either work in overseas projects as joint ventures or separately, depending on the circumstances of each individual project, yet within a common agreed operational framework. This model further allows for any other City school to enter the international market when they feel ready, almost acting as an international MAT.
17. The most important factor to limit reputational damage to the City of London Corporation however is likely to be the choice and vetting of potential business partner by the schools. At the same time, and unlike other schools, the City of London schools are well placed to take advantage of local knowledge available through the City of London Corporation's contacts to gain an insight into potential business partners.

Current Position

18. We are at the stage where we would like to commission some work by consultants with experience in helping UK independent schools develop their international presence. This work would enable us to address the points raised in Glenn Marshall's recent paper for the Town Clerk that have to be considered before any venture into the international market.
19. The aim of this further research would be to devise a framework for international expansion that would be robust from a commercial and legal point of view and that would address the particular reputational risks that the City of London Corporation brand would incur. We believe that provided we take a measured

approach to international expansion informed by specialist advice, there is no reason why the risks could not be mitigated to a more than acceptable level.

20. We would look to work closely with the Town Clerk to make sure that the framework devised is in line with current and future policy to strengthen the profile of the City of London Corporation in the international Post Brexit scene. The international expansion of the schools should in equal measure aim to secure financial and educational gains for the schools and strengthen the overall City of London Corporation brand.

Proposal

21. CLS and CLSG would work together with a select group of consultants, with costs shared by the two schools, in order to submit a paper with a proposed framework and options for consideration by City Committees and members before the end of 2017. None of this work would commit the schools or the City of London Corporation to starting international operations but it is clear that there needs to be more groundwork done to ensure that any eventual overseas expansion is properly resourced, understood and legally protected.

Corporate & Strategic Implications

22. International expansion would allow the schools to find an additional source of income for their bursary funding at a time when fundraising is proving increasingly challenging and where there are growing financial pressures on schools. This will allow CLSG and CLS to continue to stay true to their founding ethos by providing access to world class independent education to those who cannot afford it otherwise. At a time when social mobility is high on the government agenda, it allows the schools to show that they are committed to the priorities that the Green Paper has outlined for the independent sector. Research at CLSG this year demonstrated that our bursary students significantly out-perform their peers at CLSG at A level which demonstrates that bursary funding is money well spent. This is an excellent story for the City of London Corporation and one that should be fully exploited for its potential benefits.
23. It is also worth making explicit that international expansion would not detract from the outreach work that both schools are currently engaged in nor from their contribution to the MAT. International expansion would indirectly benefit all the schools on the family of City School through developing a richer educational offer at CLSG and CLS.

Implications

24. CLSG and CLS will need to commission and pay for professional advice to inform an options paper for consideration by members in due course. This is likely to cost between £10k and £15k at the most. The schools would cover this from within their existing budgets.
25. There are no risks at this stage from just commissioning the research.

Conclusion

26. Permission is sought to commission research to help inform an options paper for consideration by members regarding possible future international operations for City's Independent Schools.

Appendices

- Appendix 1 – RS Academics paper for CLSG
- Appendix 2 – Glenn Marshall's Discussion paper on CoL Schools Overseas Expansion – Non-Public

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Discussion paper: CoL schools overseas expansion

1 Introduction

- 1.1 This discussion paper sets out the key issues to be considered in investigating the possibility of opening an overseas school.
- 1.2 This is based on initial conversations with the three independent schools and desk based research into the issues. This paper does not attempt to answer the questions that it raises.
- 1.3 At this stage it should be noted that although there is interest among the schools in looking at the possibility of opening an overseas school there is no commonly agreed position among them or indeed within the Corporation on the issues that this paper raises.
- 1.4 Any decision to open an overseas school is a complex one that will require looking carefully at a number of issues although it is a path that a number of UK schools have already successfully followed including Harrow, Dulwich College and Sherbourn.
- 1.5 There is also a considerable amount of advice available to schools that this paper has drawn on.
- 1.6 The position of CoL schools is however very different to other independent schools in that it has brand identity with the City of London whose interests extend far beyond education.
- 1.7 The Independent School Governor's Handbook highlights some of the issues that should be considered and addressed before undertaking any expansion. This paper draws on this and from a presentation by Ernst and Young to the Boys School that took place on 31st August 2016.
- 1.8 The key points from the handbook are that there should be clarity about the purpose of the venture and its place in the overall development plan for the school, that all risks are understood and managed and that the right commercial deal is secured that minimises the risks as well as secures income.
- 1.9 The handbook recommends that a carefully mapped out process is followed with professional external support to ensure rigorous and balanced questioning and challenge.
- 1.10 The initial step of grounding the vision and creating a strategy is important to ensure that the schools manage the process in the right order and with the right degree of clarity.
- 1.11 The questions that we need to consider are:

- Q1 What is the educational rationale for any move into the international arena?
- Q2 What model of expansion will likely best suit our needs?
- Q3 What is required from the schools to make a success of this?
- Q4 What are the risks to the wider CoL brand and how will we protect it?
- Q5 Should this be a school-by-school approach or should the schools work together?
- Q6 How and when should we engage decision makers and stakeholders in our home schools and in the Corporation?
- Q7 What specialist advice will we need?
- Q8 How will we take this forward?
- Q9 Who will pay for this and what will be the budget?
- 1.12 Schools are also largely reluctant to talk about problems that they have encountered in overseas markets and case studies are hard to come by but the issues that have emerged have largely centred on the following areas:
- Lack of clarity about what the school wants to achieve
 - Underestimating the time and resource demands on the home school
 - Choosing the wrong overseas partner/disagreements with the partner
 - Misunderstanding the market and expanding into the wrong market
- 1.13 Issues for the CoL schools are however likely to be more complicated than for other independent schools as this paper highlights.

2 Q1 What is the educational rationale for any move into the international arena?

- 2.1 In the broadest sense the schools need to be clear about why they would want to undertake any expansion.
- 2.2 Income generation is of course one reason for pursuing overseas opportunities and there appear to be substantial opportunities for COL schools although this would not be risk or cost free.
- 2.3 The CoL independent schools are well established and respected institutions and the City of London brand would attract a premium. We have already been approached by overseas companies with a view to setting up overseas schools.
- 2.4 Ernst and Young estimate that around 8-10% of fee income earned overseas could be returned to the home school. For a 500 pupil school paying £20,000 each per annum this would give the home school up to £1,000,000.
- 2.5 However both the Independent School Governor's Handbook and Ernst and Young highlight that to be a success in overseas markets the school must also have a wider understanding of what it wants to achieve from an educational perspective including how they will position themselves in the market, the kind of relationships that they want to develop with the overseas school, and have an understanding of the commitment and requirement on the school in terms of staff time and resources.
- 2.6 For example as well as income generation overseas expansion could provide an opportunity to work more closely with overseas schools and communities. This would lead us to develop a co-operative, mutual relationship that builds upon the home schools core educational value and involves sharing expertise and possibly staff. But this would have implications for the model that we would want to pursue and possibly where we would want to expand.
- 2.7 Alternatively the school may chose to focus on maximising income with a minimal input from the home school. UK schools have successfully pursued both routes.
- 2.8 This clear statement of the ethos of the school and the reason for the expansion has to be at the centre of the work that is undertaken. It will colour how we approach developing our overseas school, will provide a blueprint for its development and a benchmark against which progress and success will be measured.

3 Q2 What model of expansion will best suit our needs?

- 3.1 Linked to this is an understanding of the type of model that will best suit our needs. There are a number of well-established models for operating an overseas school that UK schools already follow and all have the flexibility to be tailored to fit the need of individual schools. But there is a trade-off between the level of involvement of the home school and the amount of control they have.

3.2 A preference for one kind of model will need to be established to take the work forward.

3.3 Broadly speaking the usual models that are followed are:

A royalty based franchise which will involve minimal input from CoL schools. This would involve finding a partner to develop and deliver the school on a franchise basis. It would entail some involvement in the overall management of the school but the partner will be responsible for the school on a day to day basis. They will be using our name from which we will derive an income. As a model it offers the least level of control.

At the other extreme is the **branch campus** whereby we effectively open our own school and assume the responsibility for day to day running and development. In practice this is very demanding in terms of time and resources and in some markets is not possible due to the regulatory environment. It entails a steep learning curve and will require extensive knowledge of local regulations. Although it would offer the highest level of control it also carries the highest level of risk

A third possibility is a **joint venture** with a local partner with a clear division of labour. This requires carefully choosing a local partner with experience of working in the local market and in delivering successful schools. But it also means choosing a partner who has a similar ethos to our own as we will be working closely to deliver a joint project.

Finally there is school management wherein we find an existing school that we enter into partnership with and provide school management and development expertise.

3.4 The final model that we follow will depend on what we want the school to achieve, local market requirements, risk management issues and commitment and available resources from the home school.

4 Q3 What is required of the schools to make a success of this ?

4.1 Any model that we choose to follow will have implications for the home school in terms of commitment and resources in terms of both developing the school and in ensuring its success once it is up and running.

4.2 The schools will need to understand the challenge and commitment that they are making and to commit sufficient resources to make it work. This will include issues of risk management, project development and delivery including selecting and working with overseas partners, working in a foreign regulatory environment, and arrangements for staff recruitment and development.

4.3 These developmental and managerial demands need to be fully articulated and addressed in developing and taking forward any proposal to develop a school.

Project management and other systems will need to be developed and put into place to deliver a successful school.

- 4.4 Even a more hands-off model may involve a considerable amount of initial development and start-up cost that may not be recoverable.
- 4.5 The schools will have to understand and accept this commitment and to also accept that even after considerable start up and development time the project may not go ahead.
- 4.6 The schools also need to be aware that there is a risk of diversion of focus away from the home school to the new venture at the expense of the home school. This has been a problem for several international projects and can easily become an issue.
- 4.7 Schools need to be honest about how much they want to be involved, what this entails and what the requirements are on them to make a success of this.

5 Q4 What are the risks to the wider CoL brand and how will we protect it?

- 5.1 All risks will need to be mapped out and addressed in the project proposals and development plan. There are financial risks associated with overseas expansion but these can largely be isolated from the home school.
- 5.2 However, a wider concern is the reputational risk of expanding overseas. In this respect the City of London schools are different to other independent schools. The City of London is not just an educational brand but is linked to the wider reputation of the Corporation and the City of London generally as a place to do business.
- 5.3 The City of London Corporation works to promote and support the City as a brand for UK based financial services, strengthening the UK's international trade and investment ties with foreign government and the private sector. The Corporation also has a strategic plan, of which regard should be taken, as well as overseas offices in India and China.
- 5.4 This means that the Corporation of London has a considerable interest in how its brand is used. There is the potential for considerable impact on the wider reputation of the Corporation and the City if there are problems with a school that carries our brand. As such a key concern will be how the wider reputational risk to the City of London will be managed and protected and what this means for our approach to overseas expansion.
- 5.5 The City has offices in Beijing, Shanghai and Mumbai and they may have their own concerns and views about any school expansion of which account may need to be taken.
- 5.6 The Corporation may also wish to consider the potential for adverse publicity at home if the schools expand into international markets and the basis on which they choose to do so. This is likely to include concern among fee paying parents about

how their money is being spent but also among the wider community about the role of the schools and who they aim to cater for.

- 5.7 But against this there is also the chance to enhance the brand within key emerging markets.

6 Q5 Should this be a school-by-school approach or should the schools work together?

- 6.1 Although the schools do not have a common view on this work there is potential for the schools to explore this on the basis of a joint venture. Even without a joint venture the development work itself could also possibly be of use to all three of the schools but they would need to develop an agreement on a shared vision and responsibilities.

- 6.2 Within this the Corporation also has an interest as custodian of the CoL name and should probably be part of any development work.

- 6.3 But any joint approach will need to set out how we will work together and how decisions will be made on this including who has the final say and the role that each will play.

7 Q6 How and when should we engage decision makers and stakeholders at our home schools?

- 7.1 Even if the schools proceed with this on an individual basis there are wider issues of stakeholder interest and engagement.

- 7.2 The City of London schools have a wider stakeholder group than other independent schools. This includes not just parents and school governors but members of the corporation as well as governors of the other schools. Consideration should be given to how and when these groups should be consulted and how their views will be incorporated in the work. All of these groups have an interest in the City of London brand and its schools.

- 7.3 We will also need to establish clear criteria for choosing which markets we expand into and how we select and appoint our overseas business partners. We will probably want to involve members in this.

8 Q7 How will we take this forward?

- 8.1 The development work will need to be properly resourced. As well as the likely cost of any specialist advice, Ernst and Young recommend a minimum commitment of at least one person working for up to 18 months to investigate and set out a possible way ahead.

- 8.2 Among the work they will need to undertake is identifying appropriate market opportunities and suitable partners to work with. This will involve extensive foreign

travel. They will also need appropriate skills and experience and will need to be suitably paid.

- 8.3 This is a non-recoverable cost and may not result in any new school being opened. It will be a scoping piece of work that will help to determine if this is something that we want to do, what it would look like, where we would do it and who with.
- 8.4 We will also need to set out who they will be accountable to and who will direct their work.

9 Q8 What specialist advice will we need?

- 9.1 As the work evolves we will also need specialist advice and professional services to help us navigate a way through working in foreign markets. We will need to map out what professional support we need. This will include assistance in drawing up contracts that would address our concerns and manage our relationship with our overseas partners. This will entail a cost.
- 9.2 But there is also great deal of free advice available, for example from UKTI, which could help us take this forward, but only so far. Although Ernst and Young would be very happy to introduce us to potential partners in any of the markets that we might be interested in they also provide professional services in developing agreements with overseas partners for which they charge. Specialist advice will be needed at some point in this work.

10 Q9 Who will pay for this and what will the budget be?

- 10.1 Consideration also needs to be given for who will pay for this. As well as the initial development costs there are likely to be considerable costs once the project passes the planning stage and gets to delivery.

11 Other possible approaches

- 11.1 It should also be noted that there are options other than expanding overseas. For example Eton has chosen to develop EtonX which is an interactive online learning platform. It provides one-to-one live online tuition delivered by Eton-trained tutors based in the UK and in-class small group activities which are facilitated by teachers from the students' own school who will be trained by Eton.
- 11.2 EtonX was launched into China in September 2015 with the Modern Leadership Programme which will focus on key skills development in areas such as communication and collaboration.
- 11.3 There may also be other options such as summer schools or alternative uses for school buildings during the holidays which could be explored.

Appendix 1: Overview of the market

International demand for English-medium, Western-style education has rapidly expanded in recent years

A recent report by the International Schools Consultancy found that the number of students attending international schools is now over 4.3 million; a 45.9% growth in the five years up to 2014. In just one year, the number of students aged between 3 and 18 attending English-medium international schools increased from 3.4 million to 3.75 million.

This growth is most heavily focused in Asia where there's a fight for places at the best international schools in several countries including Hong Kong and the United Arab Emirates. Demand is also extensive in Singapore and Qatar, and it has the potential to greatly expand in China. Asia has seen a 56% growth in student numbers to 2.55 million students in this 5 year period period.

The total annual fee income for this market has increased by 46% to \$39 billion during this period with the expectation that by 2026, the market will reach 16,000 schools teaching 8.75 million students, generating a total fee income of \$89 billion.

This demand for international school places, particularly those in non-English-speaking countries, is driven by two expanding groups; local parents and expatriates.

According to the ISC Global Report 80% of students enrolled are local children whose parents are hoping that an English-speaking education will get them globally recognised qualifications and a place at an English-speaking university. This learning experience is seen as providing the most reliable pathway to gaining a place at a reputable university, primarily in the United States or the United Kingdom.

The UK curriculum dominates the international schools market. Almost half of the entire international schools market is UK-oriented, following all or in part, a UK curriculum and employing a high percentage of UK-qualified teachers and leaders.

As such there appear to be considerable opportunities for the CoL schools to expand into overseas markets. This is clearly a growing market with very strong demand and CoL is seen as a premium brand that could attract substantial fee income.

A number of high profile schools have already successfully established themselves in overseas markets including Wellington, Sherbourn, Gourdonston and Harrow. Dulwich College has seven overseas schools.

The fees that they are able to charge vary between both institution and market. Average annual tuition fees at international schools are about £7000 per annum but Dulwich College China day fees are over £6,000 per term, Wellington College charges over £30,000 per year for borders in China while the British School in New Delhi charges £11,000 per year with an additional £1,800 per quarter.

APPENDIX 1

The CoL independent schools are well established and respected institutions and the City of London brand would attract a premium although this would not be risk or cost free. Indeed we have already been approached by overseas companies with a view to setting up overseas schools which speaks to the value of the brand.

Ernst and Young estimate that around 8-10% of fee income earned overseas could be returned to the home school.

For a 500 pupil school paying £20,000 each per annum this would give the home school up to £1,000,000.

But a number of schools have decided that overseas expansion is not for them and have decided to concentrate on the UK.

Appendix 2: Questions for later consideration.

Although not included in the body of this paper there are two further questions that will need to be considered at a later date. These are included here for completeness.

Q10 How will we decide the criteria for determining the best location for a new school and who will be our target market?

The school will have to decide the criteria it will use to decide which markets it is interested in.

This will involve understanding the opportunities in the market, what the risks are and what is required to make a success of the venture.

If a key aim is income maximisation then only a few markets will be able to afford a premium brand such as CoL schools. This would almost certainly lead us to concentrate on a few markets, probably in this case the Middle East and China, and exclude certain other markets such as India.

However our approach is likely to include a number of criteria. For example in terms of market profiling Ernst and Young outline five issues to consider when deciding where to expand.

The most attractive markets will be typified by:

- A failing public sector, which will create demand among expat and local communities
- high affordability, with a viable market of wealthy individuals
- an expat community,
- a young population
- a need for international education.

Other considerations are likely to be political and social stability and the ability to get our money out. This would largely exclude Africa and the advice from Ernst and Young is to avoid South America

We may also wish to extend this list and link it to other work or indeed avoid certain areas that are sensitive for the City.

The advice is also not to go to 2nd tier cities but to go where expats and wealthy local people are. In countries like China this would lead us to look only at Beijing and Shanghai.

But what also needs to be considered is the potential growth in places that we are interested in. There are already a large number of schools in these markets and many of the best sites are taken with some markets showing signs of slowing down while others are emerging. This will require a clear understanding of the market and a clear rationale for deciding where we might expand.

It would also need to be decided whether it would be single sex or co-educational, day school or boarding and whether the target market was expats or local children.

A further consideration is that some markets are also more accessible than others. For example Government regulations for international schools vary in each country. Schools face a variety of controls and requirement involving complex licensing procedures, fee controls, teaching licenses and strict student and accreditation procedures. In a few countries local children are unable to attend international schools, or there is a cap on the number of local children who can attend. In some countries it can also be difficult to take your money out.

Understanding these regulations is important, along with knowing the market opportunities and if the demand is right for a new school development.

Q11 How will we identify a local market partner?

Any venture that we undertake would also likely involve a partnership arrangement with a local provider.

A local partner is obligatory in some countries but is highly desirable in any case. But this also means carefully choosing a partner whose values are in accordance with our own aims. Most independent schools that have expanded overseas say that working with local partners, and allocating sufficient time and resources in the initial stages of a new school development, are crucial for success.

Many of those that have gone wrong has been because they have chosen the wrong partner.

We will need to have clear criteria for who we work with. This is likely to include a strong track record in the chosen market, financial soundness and a commitment to the ethos of the schools.

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