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How To Select a Trusted Partner for Your School's Community Lettings

OAKS



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Introduction

2020 was a year like no other. In amongst the virtual schooling, FSM vouchers, social distancing and last-minute government announcements, the UK education sector has been experiencing another mini-crisis – how to manage and generate income from its community lettings.

Pre-pandemic, income generated from community lettings and commercial activity accounted for around 8%¹ of an average MAT or Secondary school's income. The last year has seen this reduced to 4% - equating to approximately £377m² of additional income lost.

Alongside the complete closure of sporting and community facilities for most of 2020/21, the collateral damage of the global pandemic extended to those businesses providing services to education. In August 2020, one of the largest school lettings management providers - School Lettings Solutions (SLS) went into administration. At the point they went under, they worked with around 300 schools nationally, and employed over 900 staff. A Times³ article published in February claims that SLS went under owing £4.16million in unpaid invoices to schools.

Lettings management providers offer to take on the often-overwhelming task of managing the external bookings of facilities outside of the standard school day. Packages include marketing of facilities, management of customer data, access to bookings systems, processing payments, risk assessments, security and opening/closing/maintenance of the facilities. Naturally, many companies offer different commercial models for how they make money, but nearly all will be seeking to take a cut to cover their own overheads and potentially generate profit.

Following the SLS news and recent Times article – schools and academies have also come under fire for outsourcing this service. Some view community lettings as something that should be kept in-house and managed within existing resources, feeding the anti-privatisation mood which has grown significantly during the pandemic. This is entirely possible for some schools, Trusts and academies – particularly those who have grown a customer base organically over time through local clubs and teams, and who can justify

1. <https://www.bishopfleming.co.uk/sites/default/files/2019-01/Academies%20Benchmark%20Report%202019%20-%20Final.pdf>

2. https://www.bishopfleming.co.uk/sites/default/files/2021-01/Kreston%20Academies%20Benchmark%20Report%202021_01.pdf

3. <https://www.thetimes.co.uk/article/schools-lose-millions-after-hire-company-school-lettings-solutions-collapses-knnr3tcvm>



Introduction

having dedicated resources (bookings/payment admin, people to open/close up and be on-hand to resolve issues). But for those who have only just put community lettings on the agenda, how do they manage these bookings on limited budgets and already stretched resources?

This is where outsourcing can be useful, the potential for a third party to come in and find customers, manage the admin/payments and physically be on-site during the booking is very attractive – particularly if there is a competitive financial model in favour of the school or academy.

Sadly, following the wind up of SLS, several schools, academies and Trusts were left being owed significant sums of money; money which could have made a real difference to communities during an extraordinary year. The challenge for the education sector and the remaining lettings companies is one of trust. How do schools and academies know they are selecting a trusted lettings partner? What financial models ensure that schools/academies are receiving a fair cut of the income? How do they protect themselves should the worst happen again, and a lettings partner goes under?

With the sector emerging from one of its most challenging periods in living history, this paper hopes to simplify some of the additional challenges facing schools and academies as they emerge from lockdown and have the ability again to open their doors to the community. Whether you're a school/academy looking to let out your spaces for the very first time, or you have suddenly been left without your lettings partner, this paper will help tackle some of the key factors and considerations to ensuring your lettings income, customers and reputation are protected.



Key Terms



Outsourced

Commissioning an external organisation to deliver a service or provide goods to your organisation.

In-house

Delivery of services or provision of goods through an organisation's own staff and resources.

Break clause

A point, part-way through a legal contract where either party can exit the agreement without penalty.

Lettings provider

An organisation which exists to help other organisations let out their facilities through a range of support services including site staffing, administration and bookings support, receipt of payment, marketing of facilities etc.

Revenue

The total amount of money made from the sales of goods or services of a company's primary operation. In the world of community lettings this refers to the amount of money made through customers paying for the space they use. For example, if a hall costs £50 per hour and is hired for 1 hour, the total revenue from the letting is £50.

Gross Income

The total amount of money made. This includes the money made through the sales of goods or services as well as other income streams.

It is worth understanding that a community lettings provider may receive payments from customers which are not directly for the use of a space. This may include admin fees, cancellation fees or storage fees. As a school you should understand which of these fees are included in the reported revenue (and therefore subject to a potential revenue share) and which are not.

Profit

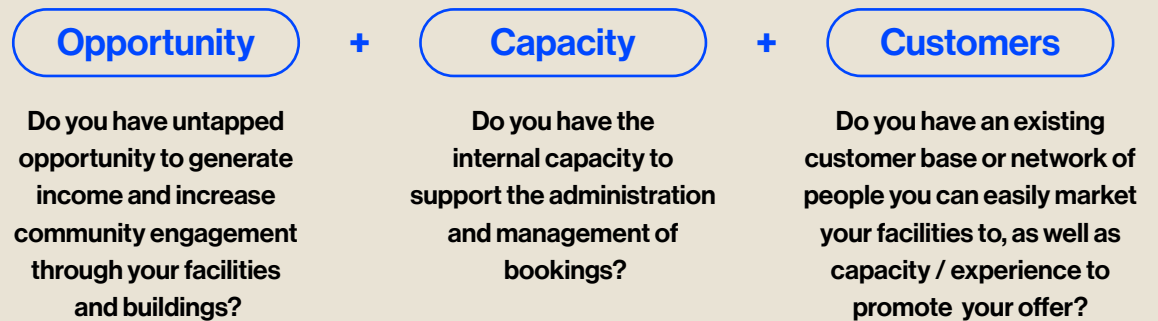
(Can also be referred to as net income)

The amount of money left over once the cost of providing services has been deducted.

This is key when considering profit v. revenue share models. In a profit share model, the provider removes their costs first, and then splits the remaining profit. This means any money the provider receives from the split is profit. In a revenue share model, the total amount made from community lettings is split and the provider will then remove their costs from their share. A revenue share represents an equal partnership between the school and provider as both are equally affected by changes to lettings.

In-house v. Outsourced - How to Decide Which is Best for Your School

Many schools and Trusts often struggle to know when it is appropriate to think about outsourcing your schools' lettings activity, and conversely, when is it appropriate to keep it, or even take it back in-house. As a school or Trust you will need to consider the following:



If you are unsure as to how answer these questions, it may be useful to seek specialist advice to carry out an appraisal of the market/opportunity.

If you have answered YES to all three of those questions, then it is likely that you have the sufficient opportunity, staffing and an existing customer base to run a successful lettings programme in-house. This means that there are facilities which are being underutilised outside of the school day, that you have the admin and site staff (or ability to recruit them from secured bookings revenue) in place, and you have a ready-made network of customers (or understand how to quickly build one).

In this scenario, you may be better off running things yourself - i.e. recruiting and paying your own staff to manage bookings and be on site for open/close, investing in a bookings system, and self-marketing your facilities to potential groups and individuals. By doing this, you will receive all income generated from lettings, minus any costs. Of course, this also comes with some considerations and risks:

- Responsibility for recruiting and employing additional staff
- Responsibility for external marketing
- Cost and management of bookings system
- Liability for things that go wrong during customer bookings

In-house v. Outsourced - How to Decide Which is Best for Your School

Once established, it is useful to think about community lettings as a commercial opportunity - benchmarking it against local competition, regularly reviewing your prices and expenditure as well as consideration to whether your facilities/offer are still relevant to your customers. This might be something you consider seeking external support from organisations such as Oaks, as they can provide an objective view and good practice suggestions from the wider sector.

If you have answered YES to **Opportunity**, but NO to **Capacity** and/or **Customers**, it is possible that outsourcing the management of community lettings to a third party is a good option for you.

Providing that you have sufficient opportunity to make money from your assets (i.e. they're underutilised, in reasonable condition and there's some local demand), the fact that you don't have the internal staffing capacity or existing customer base doesn't have to be a barrier. Third party lettings providers will usually take responsibility for marketing your facilities, setting the prices, taking payment, managing bookings/customer data and being on-site to greet customers, open/close and troubleshoot. Some providers offer the whole package, and others offer individual parts, so it is up to you as the school and/or Trust to understand what you really need the most help with.

A quick note on PFI schools.

As a PFI school, community lettings may be slightly more complex - as your PFI provider is an additional stakeholder. It is not impossible, however, for PFI schools to generate income from community lettings. Crucially, you need to understand what is allowed under your PFI agreement and the stipulations attached to it. This will allow you to ascertain whether you are required to manage lettings internally, or can approach an external provider.

What are the Different Financial Models Offered by Lettings Providers?

There are a variety of financial models currently offered by lettings management companies. The main distinction between different models is whether they require a set payment or work on a revenue share basis.

In a set payment model companies require a fee per month/term/year to cover their management costs. Often this is accompanied by a profit share agreement. In this scenario the lettings company collects the revenue from lettings, removes their costs and then splits the remaining profit with the school.

Other companies offer a revenue share. This means the amount that both the provider and the school receive is based on the success of any lettings activity. In this scenario, the lettings company collects the revenue from lettings and splits this with the school. The lettings company then removes their costs from their share. This means their level of profit will vary depending on how well lettings are performing.

Example of how set payment and profit split model may be presented →

In this example the lettings company has a set fee of £2,000 per month.

	Total Revenue	Set Fee	% of Profit to School	Total Profit Paid to School
April 2021	£10,000	£2,000	60%	£4,800
May 2021	£10,500	£2,000	60%	£5,100
June 2021	£9,800	£2,000	60%	£4,680

Here you can see the school is receiving a percentage of profit. The monetary number represents total income minus set fee divided by 60% e.g. £10,000 - £2,000 = £8,000. School receives 60% of £8,000 = £4,800. Taking into account the set fee the school receives between 47- 48.5% of revenue.

What are the Different Financial Models Offered by Lettings Providers?

Example of revenue share model →

	Total Revenue	% of Profit to School	Total Profit Paid to School
April 2021	£10,000	50%	£5,000
May 2021	£10,500	50%	£5,250
June 2021	£9,800	50%	£4,900

In this example the full revenue is split. Although, the percentage to the school seems lower, the actual amount received by the school is higher as a percentage of revenue rather than profit is taken.

Subscription Models - Partially Managed/Booking Platforms →

There are some lettings support services who will offer access to a booking platform or marketing support via a subscription or for a smaller percentage of lettings revenue.

As with all services, you should remember that the level of service you receive will be reflected in the cost. Partial lettings support can work extremely well for some schools, but for those looking for a fully managed service it is unlikely a provider will be able to do this well whilst being paid a small amount.

How to Approach Discussions and Protect Your School



For many schools and Trusts it will be appropriate to appoint a lettings provider through a competitive process. Depending on the size of your school or Trust and your own financial/procurement procedures this might be a very formal tendering process, or for smaller establishments a more informal proposal/meeting. For schools with little experience in this area there are organisations who can support you with finding and appointing a third party.

Whichever route you take to securing a lettings partner, there are some key questions to ask and information to ascertain. Although not exhaustive, the below list provides you with a framework to hold discussions/contract negotiations with potential providers:

- Is the proposal a revenue/profit share/subscription arrangement? And how is the fee paid/taken? If operating on a share basis, how often does the school receive its cut? Monthly/annually/termly?
- On what terms do customers pay for bookings? In advance/arrears? What about the partners who might make larger, block bookings?
- How long is the contract for? Does it have a break clause for either party if things just aren't working as expected?
- How do you balance customer needs with those of our other stakeholders such as government, inspectors, and external funders?
- How is performance/success measured? Clearly, income/profit generated is a key indicator, but you may want to include others such as customer satisfaction and levels of community engagement.
- What happens if performance is not as expected? How is dispute resolution managed and what rights does a school/Trust have to exit the relationship if performance is very poor?
- What rights/ownership do you have over customer data? How is it accessed/stored? What will happen to it if the company ceases trading part way through a contract?

How to Work with a Lettings Provider



A good relationship is key to successful community lettings. Although your school's primary objective is always to serve its students and communities, it is important that any external provider shares your values and can align with your own ways of working.

There are some important questions you should ask yourselves before working with a partner →

- Do we have an organised member of staff who will be able to manage the lettings relationship?
- Are all stakeholders bought in? If not, how can our lettings provider help us bring people on board?
- What is our incentive for running lettings? This may include engaging your community, increasing roll or income generation. Whatever your motivation, you should tell your lettings provider so you can make joint decisions which will support it.

When choosing your lettings provider we recommend you look out for the following as these are leading indicators of good relationship and a successful lettings programme →

- Can they tell you who will be your main contact will be?
- Have they explained how communication will work?
- How regularly will you be communicating? Are they proactive in how regularly they want to communicate? (We would recommend every 2 weeks at a minimum!)
- Will your point of contact be contactable during your working hours?
- What is the process for raising concerns?
- Does this person have links to customer operations, sales and staffing and will be focused on what is best for your school?
- How often will they provide revenue information? How clear and easily accessible will this be?
- Are you able to view live bookings?

Finally, do they seem to understand your school, your community and your assets? Will they be a good cultural fit over the long term?

Key Points

We hope this paper has been useful in supporting the reopening of your school or Trust's facilities. Community lettings can be a hugely valuable addition to a school or Trust's operations, providing you with the ability to generate additional income, better serve your community and raise your profile (and hopefully increase student roll). If you would like some additional support with your lettings challenges please get in touch with **Oaks Consultancy** or **School Space**.

Take your time

Do not feel rushed into making a decision about working with a partner, be sure that you are clear on what they are offering

Shop around

Meet with multiple partners to get a feel for what is important to your school/Trust

Get references/testimonials

As well as those provided directly by the company, see if you can make contact with another school who use them, ideally in your local area

Understand the financial model on offer

Do you have a clear idea of what income you can expect, what cut the company will take and how this is affected by the performance of the operation?

Read and negotiate the contract

Sounds obvious, but thoroughly read the contract, ensuring you are clear on key clauses such as payment terms, access to data and dispute resolution

Get external help if needed

If you lack the confidence or capacity to commission a provider, or aren't sure whether you should go down the outsourced route, look at commissioning an external agency to support you through the process

Author Biographies

Frances Holgeth →

Frances is Senior Business Development Manager at School Space, a social business who have been working with schools for the past 10 years. Frances' role is to help schools identify their best approach to income generation and reach their full income potential. Frances graduated from the University of Cambridge and has since worked in education, healthcare and retail to identify income generation opportunities, project financial growth and enable companies to reach their income targets. In her spare time, Frances also serves as a trustee at a College for young people with special educational needs, focusing on building their links with local businesses to provide work opportunities for students. If you would like to discuss lettings at your school Frances would be happy to advise. frances.holgeth@school-space.org

Katy Baker →

Katy is Director of Services at Oaks Consultancy, which specialises in supporting schools, MATs and other socially-minded organisations with income generation approaches. Katy has a background in business development in the charitable and not-for-profit sector and has worked for a range of small and large charities and public bodies. Katy leads on much of Oaks' work in education and has developed services in both Asset Utilisation and Procurement over the last 12 months, ensuring that Oaks are able to realise significant savings and increase revenue for clients across all sectors. Katy has an MBA in Strategic Management from Aston Business School. If you would like to speak directly to Katy about how Oaks can support getting your school/Trust 'lettings-ready' then email her on katy@oaksconsultancy.co.uk

