



# Trading on a private school

**Businesses come in all shapes and sizes. Robert Smailes describes how he dealt with one where the work in progress moved and breathed.**

**I**n the current climate of criticism of practitioners who rush into pre-pack sales without considering the alternatives, maybe there needs to be someone monitoring all those ongoing trading jobs that bring their own unique problems and ultimately lead you into the inevitable no win situation.

My twenty five years in the industry has seen me involved in trading every possible type of business from the small family-owned concern all the way up to a championship football club, where saving on the kitchen costs of pre-match entertainment pales into insignificance when the manger wants to spend your cash on some wayward striker. But nothing compares to trading on a private school.

## How do you solve a problem like Maria?

My appointment was over a private school situated in Derby formed in 1844 housing 190 students comprising co-education for children age 2 – 11 and a senior school for girls aged 11 – 18. It was clear from the start that saving the school would call for not only a significant period of trading but

also some radical steps to halt a decline in the school fortunes, which had seen a steady reduction in numbers.

So how do you trade a school? Well it is not all cash-flows and funding. The first obvious realisation is that you are not making widgets in the factory and your

understand your proposals and vote them through, in a school everyone has an opinion (and not necessarily the same one) from the local MP, to the council, the teachers, the school governors and the previously mentioned parents. At the first meeting of so called creditors, of the 100 or

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stock in trade, and indeed the work in progress not only moves and breathes but come with parents who don't really care about creditors interests – but want to know why Maria is now in a class of four as all her friends have left. And they have found out from the school playground 'bush telegraph' that the horrible insolvency man wants to close the school and build a housing estate.

This is the first main issue. Unlike the administration of a factory where your only real problem is whether HMRC is going to

more who attended not one creditor was present. Indeed not many creditors' meetings are accompanied by homemade cakes from the home economics class.

## Debt collecting

Trading was a challenge. Where could I get funding from? The bank declined, saying they thought the school was a dinosaur. Factoring was another hurdle, as I tried to explain that what was for sale was education, and no there are no ROT issues. But wait, what did it say on the tin? A

private school, surely that means chunky, regular school fees with no 90 day wait after the issuing of the invoice. Think again, having sent my lovely little lad to a private school and paid incredibly large fees on their due dates is it too much to

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believe that everyone does the same? Well yes, it is. And what was worse is that, prior to the administration, a large number of parents didn't feel obliged to pay fees until the red letter day, so post appointment was the perfect reason to just let the school suffer more by treating it as a further opportunity to avoid payment.

Indeed one of my first tasks was to provide a clear path to collecting debts by instructing a debt collection agency to take over the role of chasing the arrears. However, that did not deal with the problem completely and telling a parent based in Africa that we were left with no option but to ask Julie to pack her bags and leave the school was one of many tough decisions taken in the first few months.

#### Faith in the future

But it was not all bad. A couple of private investors placed me in funds to allow trading to continued and that meant some positive things could happen, including the long overdue maintenance of some of the more tired classrooms and a complete refurbishment of the chapel based on the school premises. After some lengthy consultations with many interested parties it was decided that, to stop further decline in numbers, planning consent would be sought to redevelop part of the site. At the time, this seemed the best of all worlds as a number of quality properties would be built, which included some affordable-housing dwellings. This would allow the school to have the finance to move forward and continue to educate pupils from the remaining part of the site, knowing they would be able to trade out of financial difficulties and modernise the school.

New classrooms, sports facilities and a change in the school's philosophy to co-education would allow the school to progress and leave a legacy for the next 100 years. After receiving no interest from any other parties to purchase the school, it was decided to appoint a team of professional planners to assist in the application and proceed at great haste.

#### The power of persuasion?

Initially the school received favourable soundings from the local council. In addition, a visit by me to the Houses of Parliament to meet with the local MP for the area confirmed the initial enthusiasm that there was a real desire to save the

school. What could go wrong? Well plenty. Having been told that the council would expedite any application quickly and that they would do all they could to make it a successful one, an application was put forward. Unfortunately, the hearing was

adjourned twice with a subsequent delay of some four months. This put serious pressure on the school to continue to trade and a loss of confidence was felt by both teachers and parents.

The time was spent meeting and greeting the local community to allow them to understand the plans and how it would affect them. As a result, my role changed from an IP to an MP and, although I



stopped short of kissing babies, many a hand was shaken and indeed many a sermon undertaken to convince the council that this was a one-stop shop and without planning the school would close.

The fateful night came and, accompanied with a night-time vigil of the children at the school holding lanterns, the meeting eventually came to order. What was clear to me was that this was no longer a 'trader' and real lives and communities would be changed for the better or worse by the outcome. I would challenge anyone not be caught up in the emotion of that evening with the children standing outside the town hall awaiting the result.

#### No result

The result? An overwhelming 'No'. But with the added complication that local councillors stated that a scaled-down version of the original application might succeed. By this time class sizes had dwindled so much that some lessons could have been held in a telephone box instead of a classroom. Even the non-payers were moaning and were looking for their next freebie elsewhere.

During the next six months a further application was put forward and, during that planning stage, a company that runs

private schools in the UK showed sufficient interest to make an offer. Indeed the company visited the school, addressed both parents and teachers and provided their vision for the future. Once again all attempts to conclude a sale failed and, on the day of exchange, the deal collapsed.

This was probably the beginning of the end. The members of the council opposed to the new scaled-down scheme believed to the bitter end that someone would save the school and, although the vote for the second application was much closer, there was no second chance.

#### History lesson

The rest, as they say, is now history the school got sold to a developer, but not before the renovated chapel was vandalised. Creditors received 100 pence in the pound after I discharged the costs and repaid the soft loans that were provided by individuals who wanted the school to survive and truly believed that it should.

I never went back to the school but was told that the developer got immediate planning consent for a much bigger development. Well it would. There was no school left so there was much more room! The irony is that the development is still, after a number of years, only partly completed due mainly to the current economic climate.

#### Good or bad job?

Well the administrator paid the creditors in full, thus complying with one of the requirements necessary to place a company into administration – so job done. However, real people suffered not by lack of effort or care but because a council could not be convinced by an administrator, a solicitor, an architect, a group of planners, a board of governors and, last but not least, a 100 plus students that giving planning consent for a small plot of land was no real sacrifice and in the great words of insolvency it was 'fair, fit and feasible' to allow a school to survive.

All I know is in 18 months I drove around ten thousand miles trying to find a real solution to the mess I inherited, and it is the one job I would have done anything to change the outcome of. As I said at the outset, it is not always pre-packs and widgets, sometimes an insolvency job can change the way you are and the person you are for better or for worse. Ironically I was asked to advise another school some two years later. Did I? Of course. All IPs are eternal optimists. Now I'm wondering if they ever thought of getting fees paid up front? □



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