



## FEES IN ADVANCE SCHEME - FREQUENTLY ASKED QUESTIONS

Please find below answers to what we believe are the most common questions about the Fees in Advance Scheme (FIA).

### **Q1. Why are we publicising the fees in advance scheme?**

A. Governors have recently reviewed fees in advance and listened to feedback from parents. They found that though parents could pay for more than two years, many were discouraged by the level of discount set. This has now been revised and parents have the opportunity to gain an attractive discount towards future school fees.

### **Q2. Why does the School have the Scheme?**

A. There are a number of reasons why the School offers such a scheme:

1. It is normal for schools to operate a similar scheme and parents expect us to provide one.
2. It offers parents an opportunity to gain peace of mind from having paid the fees without having to forfeit interest on cash holdings for doing so.
3. It is an expression of commitment from the parents and the School gains the security of knowing fees are paid beyond the immediate term (noting that excess fees are returned if the child leaves the School).
4. It provides useful cash for the School in times of heavy expenditure and reduces the need for the School to borrow, which is inevitably more expensive than offering the scheme in the first place.

### **Q3. How does the scheme work?**

A. You decide on the number of school years you wish to pay in advance. Your payment is held as a liability in the School accounts and each term, a term's worth of fees is drawn down. If you choose to pay for two or more years, you are only making a payment towards the second and subsequent years' fees, because Governors have not set the fee rates for those years yet. Your quotation will assume a certain fee rise per annum. If the actual fee rate is higher or lower than this, your termly fee invoice will show the difference as each term starts, together with any extras and disbursements accrued. If the sum is substantially in your favour you are offered a refund as an alternative to simply crediting your fee account. If your child leaves the School and you have funds not yet drawn down, these will be returned to you without interest having settled any other liabilities to the School.

### **Q4. What if my child subsequently receives a Scholarship?**

A. The payer is given the option to reallocate the funds or request a refund whichever is preferable.

### Q5. How is this scheme the equivalent to an investment earning 5% interest?

A. We have provided a worked example here to explain how the calculation works.

No. of years prepaid	3 Years	4 Years	5 Years
Discount per year %	4.4%	6%	7.7%
Amount paid	£49,938	£67,861	£85,790
Actual Discount	£2,298	£4,331	£7,156

Average deposit per month	£24,072	£33,645	£43,243
Gross Interest received for 40% Tax payer	£3,830	£7,218	£11,927
Equivalent compound annual interest rate	5%	5%	5%

### Worked Example

A parent paying 4 years in advance from College First Year would pre-pay £67,861 to the school, receiving a discount of £4,331 against the expected total for the next 4 years. Because this 'deposit' declines by their fees each term, the average monthly deposit over the 48 months is £33,645, on which they receive £4,331 'interest'. Assuming 40% tax would be paid on this investment elsewhere, this discount equates to gross interest of £7,218. This return is equivalent to depositing £33,645 in a bank for 4 years with an annual interest rate of 5%.

This effective interest rate of 5% is the same for parents paying 3, 4 or 5 years in advance.

### Q6. When do we have to make the payment by?

A. We ask parents to make payment by 31<sup>st</sup> July or 30 days from the invoice date. If extended payments terms are required, please contact James Fontaine to discuss.

We ask for payments by this time so that the Finance Department can efficiently separate those using the Scheme from those who wish to pay in the normal way and for whom some 1100+ invoices must be prepared in early August for payment at the beginning of September by direct debit. This also coincides with the end of the School's financial year and completing the fees in advance process helps the Department manage this busy time more effectively and enables the School year to start smoothly.

### Q7. What if I leave the School early?

A. If your child leaves the School before your fees in advance sum has been drawn down, you will be refunded whatever remains having settled your final invoice. If you move to another independent school then it is possible for us to pay your termly contribution directly to that school until your monies are expended.

**Q8. How safe is my money?**

A. Your monies will be held in our general funds and, as such, you will be an unsecured creditor. However, the School is financially very strong and therefore we feel that the actual risk to your money is very low. You may view the School as a safer place for your money than, for example, in stocks and shares. Our accounts are on public record with the Charity Commission, search for charity number 1017853. Whilst we have every confidence in the security of your funds, we are obliged to recommend that you seek independent financial advice in committing to the Scheme.

**Q9. What will you use the money for?**

A. The additional cash the Scheme generates is useful at certain times of high expenditure such as concentrated capital building projects. Although the School could choose to invest it, more often than not it is held as liquid assets providing contingency against the unexpected. It is cheaper for us to run the Scheme, and more beneficial to parents, than for us to have an overdraft or loan facility.

**Q10. What should I do if I'm interested in the Scheme?**

A. Contact Mr James Fontaine, Assistant Accountant, in the Finance Department at St George's Weybridge, at [jfontaine@stgeorgesweybridge.com](mailto:jfontaine@stgeorgesweybridge.com). James will be able to discuss the Scheme with you and provide a personalised illustration. Should you wish to commit to the Scheme he will take you through that process.