



St Martin's School

N O R T H W O O D

A9 Fees In Advance Scheme

Date: January 2024

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Policy owner: Bursar

To be reviewed by: Finance & Operations Committee



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Some Questions and Answers

Q. What is meant by " Fees in Advance"?

A. The School operates a scheme under which a family member, or someone else with the consent of the parents, may make an advance payment of fees by depositing a lump sum in the general funds of the School at any time after a place at the School has been accepted. In exchange for the Payment of Fees in Advance, the School allows a discount in the fees, calculated at compound rates of interest. A Payment in Advance should be made by bank transfer and may cover any number of terms subject to a minimum of three terms and a maximum of the number of terms that would take the pupil up to the end of Year 8. Within these parameters the parents may select how many terms they would like to include. Payments in cash cannot be accepted.

Q. How is the discount calculated?

A. The amount of the discount depends on interest rates and economic conditions at the time when the Payment in Advance is made and will be at the discretion of the school. A quotation will be provided on request. The example given below is for purposes of illustration only.

Example: A parent of a pupil about to enter Year 4 wishes to make a Payment in Advance to cover the next nine terms (three school years). At 2023/24 levels the termly fees are £5,885 which would total £52,965 over the three years (excluding annual fee rate changes). The Discount Rate based on actual and projected bank rates might be, for illustration, 2.5% per annum compound. The Advance Payment would be £51,247 giving an overall discount of 3.24%.

Q Who is entitled to make an Advance Payment?

A Anyone with parental responsibility or with the consent of those who have parental responsibility may make a Payment in Advance.

Q What are the benefits to the family of making an Advance Payment?

A The benefits can include:

- guarding against a future change in circumstances that might put the cost of private education beyond a family's means
- providing an opportunity for estate planning for the purposes of inheritance and other taxes. In these cases we strongly recommend that professional advice is first obtained from a tax adviser or accountant
- bringing forward the tax point for VAT purposes to the date the payment is made
- obtaining a worthwhile discount in the fees that will eventually be payable, which is worth more the higher the rate of tax of the payer (see below)
- flexibility - an advance payment can be topped up or adjusted according to the number of children to be covered and a variety of other circumstances

At the time of going to print we are advised that the discount taken on the fees is not taxable. The gross discount actually obtained, therefore, is dependent upon the payer's top rate of tax. For example, if the payer is a higher rate tax payer, paying tax at 40%, a 2.50% discount is equivalent to investing the money elsewhere at a gross rate of 4.15%.

Q What are the benefits to the School?

A If the money forms part of the general funds of the School it can help considerably in developing the School's facilities without incurring high levels of borrowing. The Governors are prohibited by tax and charity law from passing on to parents the benefit of a charity's exemptions and reliefs from taxation but those exemptions and reliefs do themselves enable the Charity to benefit from accelerated payments of this kind.

Q Does the Payment in Advance cover future fee increases?

A No, annual increases together with all other normal additional charges are invoiced and payable term by term in the normal way. Individual arrangements can, however, be made if required by means of an additional deposit of funds against which those increases and additional charges would be credited term by term with a discount.

Q How safe is my money?

A The payer is in the position of an unsecured creditor regarding the Payment in Advance. However, the net capital assets of the School are substantial. Further financial information can be provided to individuals and their professional advisers confidentially on request.

Q Is the family committed to this School once the Advance Payment has been made? What if we change our minds?

A Assuming proper notice is given and subject to the standard terms of the Parent Contract, the Fees paid in Advance will be fully refundable as part of the settlement of the pupil's account. A small administration fee may be levied.

Q Does a Payment in Advance guarantee a place for my child?

A No. Every pupil must be able to satisfy the admission requirements at the time which may include an academic assessment and a reference as to the pupil's character and general progress and a Payment in Advance will not be accepted until the pupil has been offered and accepted a place in the School.

Q What other terms and conditions apply to Payments in Advance?

A All payments are accepted under the Scheme Terms Conditions which have been printed on pages 4 to 7 below. They in turn refer to the School's standard terms and conditions/ Parent Contract, as varied from time to time, which also apply. These can be viewed on the school's website, www.stmartins.org.uk. In general, the person who makes a Payment in Advance does not acquire any rights or obligations under the contract with the School unless he/she is a person with parental responsibility.

Q What is the next step?

A Contact Mrs Alison Curran, Bursar (telephone 01923 821006, e-mail bursar@stmartins.org.uk) requesting a quotation.

Disclaimer:



The school is offering a fees in advance (FIA) scheme for parents whose children are in the school, or who are registered to start before April 2025. This scheme offers a discount and, as it operates under current VAT rules, no VAT is currently due on payments made under the scheme, and it is hoped this will remain so. However, in the event that a change to VAT legislation imposes a VAT charge on school fees, and this change either impacts payments already made into our FIA scheme (e.g. through anti-forestalling legislation) and/or results in an increase in school fees, it is possible that participants of the FIA scheme would not be protected from the change to VAT legislation.

Scheme Terms & Conditions

Objective

The objective of the Fees in Advance Scheme (the **Scheme**) is to provide a method where the cost of your child's education at St Martin's School (the **School**) can be reduced by making an advance lump sum payment. From a contractual point of view, these supplemental terms and conditions must be signed by the parents who are already signatories to the main parent contract, and the individual paying the lump sum payment, if different (e.g. grandparents or any other relative).

The School will maintain its direct contractual relationship with the parents under the main parent contract (the terms of which will remain fully in force and effective as between the School and the parents as holders of parental responsibility) and these terms and conditions will form part of that relationship.

Basis of the Scheme

A lump sum payment to the School at or after the acceptance by the parent of an offer of a place for the child at the School will be applied against the amount due in respect of each term's fees for an agreed number of terms. The total value of these applications will be commuted at an agreed rate in order to calculate the total amount of the lump sum payable by the parent to the School under the Scheme, with such calculation carried out prior to the parents joining the Scheme.

Terms & conditions

- 1) These terms and conditions (the **FIA Terms and Conditions**) are supplemental to the School's standard terms and conditions that the parents agreed when accepting a place for the child concerned (the **Parent Contract**). As between the parents and the School (excluding the payer, if different), the FIA Terms and Conditions form part of the Parent Contract and, therefore, the contractual relationship between the parents and the School. The terms and conditions of the Parent Contract shall continue to bind the parents in full.
- 2) Where the payer is not a parent of the child, they will be required to agree to these FIA Terms and Conditions by signing below. References in these FIA Terms and Conditions to "parents" shall be interpreted as including the payer, as applicable and as the context requires.
- 3) All payments made in accordance with the Scheme form part of the general funds of the School and may be used for such purposes as the School may from time-to-time determine. Subject to Clause 14 below, lump sums paid to the School into the Scheme are non-refundable and the parents cannot leave the Scheme except in the circumstances set out in Clause 14.
- 4) The parents should be aware that if the School becomes unable to pay its debts, by reason of insolvency or otherwise, the parents will be unsecured creditors of the School and that the amount of any lump sum payment paid to the School under the Scheme might not be returned to the parents.

- 5) The parents agree to provide the School with such information as the School may request and agree that the School may carry out checks that the School considers necessary or appropriate, including through third-parties, so that the School is able, to its satisfaction, to verify the identity of the parents and the source of funds being paid into the Scheme.
- 6) Those responsible for the fees and supplemental charges under the Parent Contract must meet the difference between the amount per term applied under this Scheme and the total amount due in respect of the child each term. Differences will arise where, for example, there have been increases in fees, supplemental charges and other extras, or where taxes are due on any fees or supplemental charges, for example if there is a change which results in VAT being payable on school fees and such change applies to any of the terms covered under the Scheme. Payment of an amount equal to any such difference shall be made in accordance with the terms of the Parent Contract.
- 7) The Scheme may be used to pay in advance the whole or a portion of fees for any set number of terms during the child's potential time at the School, from a minimum of three terms. The minimum amount accepted by way of payment into the Scheme is an amount calculated to generate termly payments of £1,000 per term. Unless agreed with the Bursar in advance, the maximum advance lump sum payment accepted is of an amount equal to that calculated to cover the termly tuition fee for the total duration of the child's education at the School at the time of entering the Scheme.
- 8) On receipt of an advance lump sum payment, the School will make a specified allocation to the fee account of the relevant child of an agreed amount for an agreed number of terms. In order to calculate the amount of the total advance lump sum payment, the School and the parents will agree in advance the amount that will be allocated against each term's fees and the set number of terms intended to be covered by the arrangement (the **Fee Contribution**). The School will apply the discount rate set out in the **Standard Table** at the end of these FIA Terms and Conditions to the amount of the Fee Contribution. This calculation will generate the amount of the advance lump sum payment payable by the parents.
- 1.1 The Standard Table illustrates the commuted (discounted) cost to the parents of providing the equivalent of £1,000 per term up to a maximum of thirty terms as at 1st January 2024. This is the Standard Table currently in force. The cost of providing other equal fee payments per term of amounts over £1,000 and the resulting commutation can be calculated from this Standard Table. Any arrangements for providing variable termly fee payments (for example increasing in future years) will be subject to a separate calculation of the amount of the advance payment needed and should be discussed with the School's Bursar.
- 9) The commutation rate used in the current Standard Table is 2.50 % per annum and is calculated on compound basis. Parents should confirm the applicable commutation rate and Standard Table currently in force immediately before making any single lump sum payment. The commutation rate is subject to change at the School's sole discretion and parents should be aware that if there is a delay of more than 14 days between confirming the commutation rate currently in force and paying the advance lump sum to the School that the commutation rate may change. If the commutation rate changes this will affect the amount that will be allocated to each term's fees for the relevant child (the discount). Once parents have joined

the Scheme and full payment of the relevant lump sum amount is received by the School in freely available, cleared funds, the commutation rate at the time of such payment will apply for the duration of the arrangement secured by that payment. For the avoidance of doubt, the School will only accept payment of the advance lump sum in Pounds Sterling.

- 10) Following receipt by it of a lump sum payment in freely available, cleared funds, the School will confirm in writing to the parent the amount of the lump sum payment received, the number of terms intended to be covered by the arrangement, the applicable commutation rate, and the amount to be allocated against each term's fees. In order to participate in the Scheme, the School must in all cases receive payment of the advance lump sum payment and a signed copy of these FIA Terms and Conditions before the beginning of the first term to be covered. For the purposes of the Scheme, terms will be deemed to commence as follows:
 - Spring Term: 2nd January
 - Summer Term: 15th April
 - Autumn Term: 1st September
- 11) An advance lump sum payment will only be accepted in respect of those children for whom a registration fee and deposit have been received by the School and an offer of a place accepted.
- 12) Notwithstanding Clause 10) above, the payment of an advance lump sum payment in accordance with the Scheme does not in itself guarantee a child a place in the School, nor does it in any way alter the terms of, or requirements for, entry to the School or entitle the child to preferential treatment.
- 13) Subject to the terms of the Parent Contract (including in particular those terms relating to the withdrawal of a child on notice) and Clause 16) of the FIA Terms and Conditions below, if a child leaves the School for any reason prior to the commencement of the last term covered by the Scheme or does not take up their place at the School, an amount equal to the yet-to-be applied proportion of the advance lump sum payment made under the Scheme will be refunded (less any amounts owed to the School at the time of the refund, including any fees payable to the School in lieu of notice) to the parents. If necessary, the Standard Table used to calculate the applicable commutation rate when the parents joined the Scheme shall be used to calculate the amount of any such unapplied proportion.
- 14) Without prejudice to Clause 6), the School retains sole discretion as to how and to what extent any subsequent adjustment in the headline level of school fees is to be taken into account in determining the amount of each term's fees that is covered by the lump sum.
- 15) Subject only to Clause 16) below, the School will not pay any refund or sum of money owed to the parents under the Scheme to a third party. The parents agree to reimburse the School for the amount of any taxes (if any) the School is required to pay as a result of refunding any unapplied portion of the advance lump sum payment.
- 16) Upon no less than one term's prior written notice and subject to the School's prior approval, the parents may request that an unapplied portion of the advance lump sum payment be transferred between children who are siblings at the School. Where the parent and the payer of the advance lump sum payment are different, both must agree to the transfer in writing.



- 17) Queries or requests for information regarding the Scheme should be addressed to the Bursar at the School.
- 18) In the event of any change to the School's charitable status, or to any legal or taxation arrangements which have or could reasonably be expected to have an impact on the School's running of the Scheme, or for any other substantive reason, the School reserves the right to make changes to these FIA Terms and Conditions or the general arrangements of the Scheme with a minimum notice period of three (3) months to the parents.
- 19) These FIA Terms and Conditions are governed by English Law and either the parents or the School must bring legal proceedings in respect of these FIA Terms and Conditions in the English Courts.

Standard Table

Cost of providing the equivalent of £1,000 of fees per term for the number of terms funded at a Commutation Rate of: 2.5 % p.a.

Term	Opening FIA Bal	Termly FIA commutation	Termly fees amount "paid"	Effective termly cost to parent (if all 27 terms paid)
1	24289.41	194.08	-1000	899.61
2	23483.49	187.36	-1000	899.61
3	22670.85	180.59	-1000	899.61
4	21851.45	173.76	-1000	899.61
5	21025.21	166.88	-1000	899.61
6	20192.08	159.93	-1000	899.61
7	19352.02	152.93	-1000	899.61
8	18504.95	145.87	-1000	899.61
9	17650.83	138.76	-1000	899.61
10	16789.58	131.58	-1000	899.61
11	15921.16	124.34	-1000	899.61
12	15045.51	117.05	-1000	899.61
13	14162.55	109.69	-1000	899.61
14	13272.24	102.27	-1000	899.61
15	12374.51	94.79	-1000	899.61
16	11469.30	87.24	-1000	899.61
17	10556.54	79.64	-1000	899.61
18	9636.18	71.97	-1000	899.61
19	8708.15	64.23	-1000	899.61
20	7772.38	56.44	-1000	899.61
21	6828.82	48.57	-1000	899.61
22	5877.39	40.64	-1000	899.61
23	4918.04	32.65	-1000	899.61
24	3950.69	24.59	-1000	899.61



25	2975.27	16.46	-1000	899.61
26	1991.74	8.26	-1000	899.61
27	1000.00	0.00	-1000	899.61

Examples

Example 1

A parent of a pupil about to enter Year 4 wishes to make a Payment in Advance to cover the next nine terms (three school years), ignoring any potential fee increase at the current annual commutation rate of 2.50%. At 2023/24 levels the termly fees are £5,885.

Term	Opening FIA Bal	Termly FIA commutation	Termly fees amount "paid"	Effective termly cost to parent
1	51247.44	378.02	-5885	5694.16
2	45740.46	332.13	-5885	5694.16
3	40187.59	285.85	-5885	5694.16
4	34588.44	239.20	-5885	5694.16
5	28942.64	192.15	-5885	5694.16
6	23249.79	144.71	-5885	5694.16
7	17509.49	96.87	-5885	5694.16
8	11721.36	48.64	-5885	5694.16
9	5885.00	0.00	-5885	5694.16

Total Commutation (Discount) over period	Total Fees for period	Total payable at outset
1717.56	52,965.00	51247.44

Effective total discount	3.24%
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Example 2

A parent wants to pay £2,500 per term towards the school fees of their son for the next 4 years (12 terms), ignoring any potential fee increase at the current annual commutation rate of 2.50%.

Term	Opening FIA Bal	Termly FIA commutation	Termly fees amount "paid"	Effective termly cost to parent
1	28673.24	218.11	-2500	2389.44
2	26391.35	199.09	-2500	2389.44
3	24090.44	179.92	-2500	2389.44
4	21770.37	160.59	-2500	2389.44
5	19430.95	141.09	-2500	2389.44
6	17072.04	121.43	-2500	2389.44
7	14693.48	101.61	-2500	2389.44
8	12295.09	81.63	-2500	2389.44
9	9876.71	61.47	-2500	2389.44
10	7438.19	41.15	-2500	2389.44
11	4979.34	20.66	-2500	2389.44
12	2500.00	0.00	-2500	2389.44

Total Commutation (Discount) over period	Total Fees for period	Total payable at outset
1326.76	30,000.00	28673.24

Effective total discount	4.42%
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Subject to the Terms and Conditions of Fees in Advance Scheme.

31st January 2024