



St George's
WEYBRIDGE

From Greg Cole, Bursar & Clerk to the Governors

24 April 2019

Dear Parents,

Fees in Advance Scheme (FIA) 2019/20

For a number of years now, St George's has offered the option for parents to pay one or more years of fees in advance. I am writing to set out the details for this year's scheme. For those parents already familiar with the scheme, the discount rates are the same as last year and are confirmed in the attached information sheet; parents who are new this year may find some further explanation helpful as set out below. Please note that the scheme has proven so popular that, to retain a balanced overall financial position, a cap has been placed on the overall level of fees paid in advance beyond which no further payments can be accepted.

As important context, it is helpful to briefly explain how the finances and specifically funding of major capital projects are managed. As you will know, St George's is a charity with any financial operating surplus being reinvested in the Schools. However, when we complete major capital investments (such as the Activity Centre and The Ark), St George's will borrow money from banks secured on our future revenues. We do take a conservative approach to ensure our borrowings are kept at an appropriate and very manageable level. However, we have for many years taken advantage of bank financing and we will continue to do so.

In planning the next 3 to 5 years at both Schools, the Governors know there is a requirement to borrow money from the bank. As such, it seems sensible to offer our parents the opportunity to "lend" money to St George's through the FIA scheme. The discounts below are set to deliver an effective 'return' equivalent to 5% interest per annum whilst still being lower than the interest the School would pay on an equivalent bank loan. This creates a "win-win" in that parents can achieve a higher rate of return than a bank would offer and St George's lowers its cost of borrowing.

We recognise that this scheme will apply to only a minority of parents. However, we feel it is necessary to communicate the scheme to the whole parent body to increase participation where we can. Ultimately, the scheme should benefit all parents as it is another example of where St George's is focused on lowering our overall costs.

Please find below the detailed discount rates offered, depending on how many years are prepaid, with an example that sets out how the scheme is calculated financially. Information can also be found on our main website under *Fees in Advance Scheme – Frequently Asked Questions* - and for enquiries or a quotation, please contact James Fontaine in our Finance Department, whose details are also below.

I am also very happy to talk directly to parents to answer any questions.

Yours faithfully,

A leading independent, co-educational, Roman Catholic day school providing a perfectly balanced education for 3 to 18 year olds.

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FEES IN ADVANCE SCHEME - DISCOUNT RATES FOR 2019/20

The discount offered against forecast future fees are as follows:

- 1.5% discount for 1 year pre-payment
- 1.7% discount each year for 2 years
- 4.4% discount each year for 3 years
- 6.0% discount each year for 4 years
- 7.7% discount each year for 5 years
- For beyond 5 years please contact the Finance Dept

Payment for fees in advance is due by 31 July 2019.

Note: for 3-5 years of pre-payment, the discount offered equates to an effective return on your average deposit of 5% per annum compounded, assuming you are a 40% tax-payer who would pay income tax on the interest earned.

Example

A parent paying 5 years in advance from College First Year would pre-pay £95,881 to the school, receiving a discount of £7,999 against the expected total for the next 5 years. Because this 'deposit' declines by their fees each term, the average monthly deposit over the 60 months is £48,757, on which they receive £7,999 'interest'. Assuming 40% tax would be paid on this interest elsewhere, this discount equates to gross interest of £13,331. This return is equivalent to depositing £48,757 in a bank for 5 years with an annual compound interest rate of 5%.

This effective interest rate of 5% is the same for parents paying 3 up to 7 years in advance.

Note

Parents using this scheme are paying towards predicted future fees and each year, the predicted fees are reconciled with the actual fee rates decided by Governors for the following year. Depending on whether rates have moved above or below predicted, parents will either receive a credit or be asked to make a small balancing payment.

Enquiries

To enquire further about the scheme or to obtain a quotation **please contact Mr James Fontaine, Assistant Accountant, jfontaine@stgeorgesweybridge.com**