



SCHOOLS & INSOLVENCY



ISSUES FOR SCHOOLS

Schools usually have high salary costs for long serving and skilled employees as well as high property costs.

The profitable schools tend to be at near maximum occupancy so any fall in pupil or student numbers can make the school generate losses as it falls below the break even point.

Some of the points for schools with financial difficulties to consider are:

- High redundancy and notice period costs for long serving, well paid employees.
- If more than 20 employees are likely to be made redundant then this requires a longer consultation period.
- Transfer of Undertakings (Protection of Employment) Regulations or “TUPE” transfers all employee rights to a new school if they take over. This puts off many buyers.
- Pension deductions from salaries but payment arrears.
- Parents who have paid for school fees in advance. Has this advance money been kept separately in a designated school fees account?
- The impact on students of closing during a term.
- Keeping the student records safe and confidential.
- Site security once the school has closed.
- In some cases, a surplus on the closure of a school that is a charity must be returned to the UK Charity Commission.
- Trustees and directors must act responsibly and if the school is continuing to make losses, they must consider early action to stop trading and avoid personal liability and misfeasance.

OPTIONS AND POSSIBLE OUTCOMES

There are various possible options. These may be:

Refinancing: borrowing against the property, closing the school down, laying off nearly all of the employees and then selling the assets. This needs the school to find a willing lender.

Finding a buyer: this may achieve a sale pre-insolvency or can be achieved post insolvency by Administration. The advantage to Administration is that it stops all creditor action. TUPE, as mentioned above, often blocks a sale.

Closure and liquidation: often an issue is that the school has insufficient funds to make all of the employees redundant and pay them what they are owed if it closes. This tends to make the only realistic option closure and liquidation. In liquidation the UK Government Redundancy Payments Service will pay out employees (at capped limits).

EXPERIENCE

We have dealt with several schools with financial problems.

As a recent example we are the liquidators of a school where there were 100 plus employees and 100 plus students. We advised the directors on the possible options open to them and helped them close the school down once that decision was made.

We also helped make all of the staff redundant and have assisted them making their claims from the Government Redundancy Payments Service.

The long serving employees can make claims for redundancy pay, notice pay, arrears of pay and holiday from the Government fund.

We have also secured the student records and scanned 275,000 documents for future Subject Access Requests. We have assisted the students and parents to get their records and possessions back. We have taken specialist legal advice from an education solicitor and have a protocol of whom can have access to what records and what needs to be retained by us.

On closure we also arrange the school site security and ongoing insurance.





WHAT WE WILL NEED TO SEE

- A recent profit and loss account and balance sheet.
- An aged list of suppliers.
- Details of any PAYE, tax or pension arrears due.
- Any loans or bank debt.
- Details of any fees received in advance from parents.
- A brief summary asset list to cover property, vehicles and other assets.
- A list of all employees by; name, rate of pay, normal hours, age and start date.
- A copy of your charity deed if you are a registered charity.
- A brief school history.

CONTACT US



David Kirk

5 Barnfield Crescent,
Exeter, Devon EX1 1QT
T: 01392 474303
M: 07515 100766
E: david@kirks.co.uk

