

15 May 2020

Dear Parents



ST CHARLES COLLEGE
SOUTH AFRICA

Introduction

We have been humbled by the response of our St Charles College families to the tremendous strain that has become part of our daily lives as a consequence of the Covid-19 pandemic. While we understand that this has been necessary in order to rescue our country from the projected devastating effects that a rampant spread of the virus would have had, it does not make it any easier to hear the news we have received of real and sudden hardships experienced by our parent body as a direct consequence of this crisis.

We understand that taking a long term view, when the present realities demand immediate relief, is a challenge. The effects of living with sustained uncertainty is equally emotionally and physically draining for us all. We have been heartened by the resilience of the staff and leadership of the College who have been galvanised into action, and have committed themselves to the cause of ensuring that no boy, and no colleague, will be lost along the way.

Through the days of lockdown, we have witnessed some extraordinary lessons through our window into the College and the resilient spirit of St Charles College is evident in every decision that is being made for the families who connect us as a community. Many of our staff have worked countless hours in adapting to new modes of teaching and learning, and preparing the College for the safe return of our boys and staff.

Significantly, the management decision to place all staff on reduced hours by rolling over 55% of the guaranteed earnings of all staff throughout the College into the future in order to protect the incomes of those who are most vulnerable, has shown the compassion and mettle of our people in times of crisis. We realised early in our planning that the concept of “no work no pay” for our people, because of an event outside of their control, should not be applied in our environment.

A philosophy of saving

Deeply imbedded in the fabric of St Charles College is the commitment to savings. Every year, we have consciously and deliberately prepared the budget and fees for the forthcoming year using a zero-based budget philosophy. We have consistently only spent on what is absolutely necessary to ensure that we retain the flexibility to innovate and develop the programmes we believe are essential for the education of your sons. Many of the substantial capital development programmes in past years would not have been possible if this savings mentality was not ingrained in the financial processes of the College budgets.

Despite many hours of agonising and laborious analysis of the budgets and scenario planning, trying to anticipate the future and assessing the potential impact of what the extended school closure will have on the budget, we have determined that expected savings are less significant than you might anticipate and in many respects have not yet been realised. Where the costs are variable in nature; catering, energy costs, transport, coaching and sport specific expenses, excursions, photocopying and other stationery expenses we will certainly deliver savings against the budget. Conversely, we have incurred additional expenses too, such as supplies of chemicals, protective clothing for our nursing staff and other costs expended in getting ready for your son(s) return to campus, not to mention the costs associated with delivering content remotely.

We will continue to employ the philosophy of the ‘aggregation of marginal gains’. By this we mean that we will continue to seek savings in everything we do, even if that means just 1% in each area or expense, and in this way persistently accumulate small gains to the benefit of everyone.

Overheads

Our overheads are not evenly spread throughout the year and a large proportion of the budget is spent in advance of and at the beginning of the academic year. We are truly grateful for those parents who continue to pay in advance, including many that cannot return because international borders are closed. While payments made in advance of 2020 have incurred a cost of the settlement discount, they have also allowed us to continue to meet the largest expense, which is the salary and wage bill.

We will continue to seek the refund, or partial refund, of deposits that have been paid well in advance to service providers, and look to negotiate alternatives where the hope of recovery is unlikely (many businesses, such as the airlines, hold onto their cash reserves at this time). Parents can be assured of our commitment and persistence in protecting the finances for the future.

While reopening of the College is by far in the best interests of us all, there is a good probability that some or all of our professional and administrative staff will need to work from home at times in the future. These changes were not part of our plan and carry financial implications as technology in South Africa is significantly more expensive than in other countries.

As mentioned, a substantial proportion of the College's monthly expenses are in staff salaries and it is our intention to ensure that we retain our valued staff through this crisis so that when we return to normal routines, we will still have the excellent teachers and support staff we have attracted to St Charles College over many years.

Another point to consider is that our fees are significantly lower than most other independent boys' schools (30% or more) as we operate with a very low cost structure. We therefore do not have the scope for the same levels of cost reductions as many other schools.

Salaries and Covid TERS, and other relief measures

The claim we have lodged with the Temporary Employee Relief Scheme (COVID19TERS), on behalf of all staff during this period, regardless of whether they were able to work or not, will soften the overall impact for everyone who works at St Charles College. In faith, the College has paid the equivalent of full salaries (including advances) to all staff in April, excluding only the temporary coaching staff.

The complex and conflicting information on the outcome of the claim has meant that predicting the possibility of continued and future claims is difficult. Without business interruption insurance, this is our only source of tangible relief, and we are pleased to report that the significant payment from the UIF relief fund has allowed us to continue to fund full salaries for the month of May. Further relief measures announced by the government include payment holidays on SDL and PAYE for a number of months as well as enhanced ETI initiatives and we will most certainly take advantage of these measures to prop up our cashflow.

Reopening and adjusting to a new set of goal posts

The decision by the Department of Education to re-open schools and bring children back in a phased-in approach involves several administrative complexities, not least of all for our Matric pupils. These include managing the infection risks for staff that facilitate schooling including teachers, principals, administrative staff, transport workers; maintenance and hospitality employees. Further, mitigating risk for individuals such as those older than 60, those with diabetes and other pre-existing conditions etc., carries both logistical and very real financial implications.

Juxtaposed against this are the severe limitations imposed by continued closures on our scholars' ability to benefit from the full programme of education on offer (and being paid for), to our staff's ability to earn an income, and to the economy's ability to function while working parents have to juggle domestic chores with childcare and managing online education.

It is a simple truth that the economy cannot properly 're-open' while schools are closed. We are planning on reopening as soon as we are legally permitted to do so and will adjust to a simple set of five goals aimed at preserving the entire St Charles College team, including parents, boys and staff.

Because most financial impacts can only be fully quantified retrospectively, we have taken the approach of deferring any short-term decision making with the hope that, on December 31 when we look back on this year with 20:20 vision, our decisions would match with the following five objectives:

1. Achieve a break even budget. This means that: *reduced expenses = achieved income*.
2. Not to lose a single family because of finance caused by the crisis.
3. Ensure that all staff received their full ordinary salary for the year excluding any incentives.
4. Deliver 100% of time lost back to all scholars of the College and secure each of their progress to the next level in their education pathways.
5. Ensure that St Charles College is structurally better positioned than ever before to compete as a premier independent boys' School in Africa.

This will mean spending on only those things that are necessary to achieve this vision including capital development projects, previously planned, and concentrating only on those aspects of our programmes that will feed into the delivery of these objectives.

2020 Budgets, Cash flows and resultant fee structure

We have invoiced fees as normal in May 2020 which took our billing to exactly 50% of the annual fees payable for the year. In other words, we have billed everyone for two terms, or half the year at this point in time.

Many in our community are experiencing sudden and severe liquidity problems and we have necessarily agreed to offer payment holiday relief in that regard on an individual basis. We have estimated a 20% decline in our parents' collective cash flow over the last 3 months and have assessed that we may need to do more in this area.

We have also had to cancel income generating events, while some other avenues of income are no longer guaranteed as donors look to their own businesses to contain the effects of the prolonged Level 4 lockdown (although for us we are effectively restrained in lockdown level 5 with no relief).

Our budgets are based on breaking-even and we have calculated some saving amounts in the areas of hospitality and sport, with lesser savings in the delivery of the academic programme.

Most significant are the savings in boarding which calculate to be about R750 per week, which translates to about 35% of the boarding fee charged. We are very aware that the billing of fees up to the end of the 2nd term (May 2020 fees) means that all boarding parents who are up to date with their payments have paid for just over 5 weeks from the beginning of the term (up to today) without being accommodated or fed and are compelled to give back the variable portion of the advances paid to these families as it is certain that they will never receive the value for this part of the fees paid.

Fee relief for parents – payment holiday and fee rebates

Payment holidays

Funding has been set aside for families to extend their terms of payment based on proven need. Please write directly to our Business Manager, Mrs Wendy Freese on accounts@scc.co.za should you wish to apply enclosing proof of substantial loss of income and a declaration of the long term effect as a consequence of the nature of your business / income.

Boarding rebate

We will be passing the full variable cost of boarding, calculated at 35% of the boarding fees for the time that boys are not able to return to school. We will therefore apply a 35% rebate to the fees billed in June and each month thereafter until further decisions have been made.

This initial rebate could be increased in the future to refund the advance fees already paid once we have more certainty in the numbers.

Development Levy

We are grateful to all parents that have paid the development Levy which funds our capital development programs and some of our outreach programmes. Should any parent wish to be excused from this levy for the balance of the year please address your email please write directly to Wendy Freese on accounts@scc.co.za who will deal with each request.

Tuition rebate

We would like to wait a little longer before declaring a tuition rebate as some other schools have done because, at this point in time, the quantified amount of an average of R680 per pupil is not yet meaningful. We will therefore continue to invoice tuition fees as normal for June at the end of May and declare the rebate from July billing onwards.

Should the closure be extended and we are able, as a result, to achieve further net savings of any form, we commit to passing these back to parents by way of fee rebate.

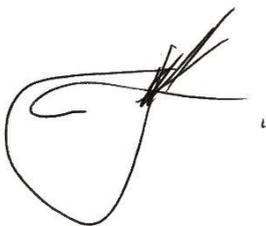
All rebates are subject to the proviso that this will not be a permanent variation or relaxation of the normal fee structure, but a temporary one without prejudice to the terms of the contract of enrolment parents have signed with the College for their son(s).

What we can assure you is that we will consider all aspects of the financial model to make sure that we set the fees as fairly as possible whilst still ensuring that the College's finances are in a strong position to continue to provide the education you have come to expect of St Charles College, once this current crisis has passed.

St Charles College has faced many battles in its 145 year history. Our inimitable fighting spirit differentiates us as a community of families who know that hard work and smart choices will translate to the ultimate profit of seeing that each of our boys is properly educated. We have all been impacted by this epidemic, each family in different ways and some more than others, and we ask in the area of finance that you continue to make the payment of fees a priority.

We draw encouragement from our faith that our true strength comes from Him, who works in us to will and to act in order to fulfil his good purpose. (Philippians 2:13).

Yours faithfully,



Mr Peter Mortimer
Chairman
St Charles College Board of Governors (03-Apr-20)



Mr Allen van Blerk
Principal



For your further information we note that these documents are also available on the website at www.scc.co.za