

28 March 2020

Dear Principals

COVID-19
Financial Advice for MSA governed schools #1

Thank you for all you are doing to lead your school communities through this difficult situation. We want to support you as much as we can in the time ahead. We certainly have a journey ahead of us! This communication, which I anticipate will be the first of a series, is concerned specifically with your management of the *financial* implications of this crisis. I want to apprise you of the guiding principles that the MSA National Schools Council has endorsed for how MSA-governed schools should undertake their business planning, and to invite you to provide information on your preliminary planning and the emerging issues with which you are dealing.

The Context

As the health crisis impacts upon the global and national economy, many of the families we serve will be affected. From the medical advice at hand, the most common predicted time frames for the health crisis range between 8 and 30 weeks. The recent reported developments in large scale testing for the virus, with results within 24 hours, are encouraging signs in more effectively containing the virus before a vaccine is developed. However, how soon these tests will become readily available in Australia is not yet known

Whilst we all hope the current crisis is short lived and businesses activity and normal life around the world begins to return to normal within six months, economists are advising preparation for a sustained period of economic downturn is required. There are many unknowns in the short, medium and long term so planning is difficult. The best we can do at this time is prepare for scenarios. Economically, in the opinion of the OECD Secretary General Angel Gurría, the Corona virus pandemic has triggered a “major economic crisis that will burden our societies for years to come”.¹ Advice presented in the March 2020 McKinsey and Company Report, *COVID-19: Implications for business*,² warns that optimism about the return of demand is dangerous in

¹ <https://www.oecd.org/berlin/publikationen/Interim-Economic-Assessment-2-March-2020.pdf>
<https://abcnews.go.com/Business/coronavirus-crisis-burden-economy-years-oecd-chief/story?id=69745342>

² <https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business>

Address

Suite 5.01, 247 Coward Street
Mascot NSW 2020
PO Box 1247 Mascot NSW 1460
ABN 91 064 875 510

Phone

02 9218 4000

www.msa.edu.au



planning to ride out the crisis. Naturally, by planning for the worst, we have capacity to limit more excessive measures if in fact the worst never materialises.

Sustainability

For each Marist school, financial sustainability is a fundamental priority. We need each of our schools to be a viable business on the other side of this crisis. A MSA COVID-19 Finance Taskforce has been created to provide advice to the MSA Leadership Team and the Principals of our governed schools. This Taskforce has agreed that the twin-pronged business approach to be taken by each school should comprise:

- a. ways to maintain parent confidence in the school, so that students return after the crisis, and new families enrol.
- b. strategies for achieving cost reduction, given reduced revenues;

As these two business priorities are pursued, they need to be informed by the Gospel imperatives of compassion, justice and equity.

MSA Principles

As you undertake your planning, you are asked to do so in line with these principles:

1. Enrolment of a current student would not be terminated/suspended owing to outstanding tuition fees in circumstances where the family has made genuine efforts to communicate their circumstances in accordance with each college's procedures and MSA policies.
2. Each College needs to remain financially viable so that it can continue its mission in Catholic education during and after this crisis.
3. We exist to fulfil the educational, pastoral, and spiritual needs of our current and future students and their families.
4. In our decision-making, we purposefully give preference to those most in need.
5. Stewardship of our schools at this time is understood in the light of the generosity of past generations, the needs of current families, and our hopes for the future.
6. The long-term ongoing employment of staff is in interests of each college and the nation.
7. In response to the current crisis, actions reflect our Marist values and responsible stewardship.
8. The needs of the families to whom we are currently committed will take precedence in decision making.
9. As Marists, we seek to act in solidarity with other Catholic education authorities, and our Federal, State and Territory governments.

Tensions and particular issues

There are obvious tensions for schools in navigating our way through the crisis. The capacity for Principals to respond pastorally and appropriately to families in need will need to be done in tandem with prudent financial planning. Key areas of cost and expenditure to colleges need to



be carefully analysed and prioritised, and detailed line-by-line budget revision undertaken. If the economic downturn is extended, the demand for schools to help families in need will be at unprecedented levels.

We recognise, also, the individual contexts of each school. For example, fees are structured and collected in different ways; integration into local Catholic education arrangements vary across States; schools are differently positioned for online learning delivery and continuity of service; some schools are in the midst of dealing with significant changes to government funding levels; boarding brings its own complexities.

The next steps

We are fortunate to have such astute Principals and highly skilled Business Managers in our network, and sound advice coming to us at MSA level. Together we can draw on this wisdom and professional acumen to plan our way through these months.

We need you to be in active communication with your Regional Director with your plans and the issues that pertain to your local context.

Strategies you may be considering for reduction of recurrent costs are likely to include

- Deferring major capital works or other new projects
- Temporarily reducing hours for support staff, including administration, boarding and co-curricular staff
- Renegotiating service contracts for a temporary period
- Requiring some staff to access annual leave or other leave
- Renegotiating loan repayments
- Accessing reserves
- Redundancies

Strategies for keeping your families on board and maintaining enrolments post-COVID-19 are likely to include:

- Identifying families in need and communicate your provisions for fee relief
- Undertaking frequent communication and being agile in your marketing for new families commencing in 2021 and beyond
- Identifying costs that will clearly now not be incurred, such as boarding fees, and making the necessary adjustments to fee invoices

Whatever you are considering needs to be discerned in terms of benefit and risk, and to be ordered in priority and importance. The MSA Regional Directors and Business Office will continue to dialogue with each school on its plan. I need you to discuss with them especially any



specific initiatives that you have in mind that may impinge directly on the guiding principles, e.g. stand-down of employees; billing and collection of fees; partial close-down of operations.

Our target is that each school will have a revised annual budget and medium-term business plan ready by **22 April**. We understand that these can only be provisional and will continue to be changed as the year goes on.

Yours sincerely

A handwritten signature in black ink that reads 'F. C. Malloy.' with a period at the end.

Dr Frank Malloy
National Director