

FREQUENT ASKED QUESTIONS
Additional Parents Meetings
School Board Lycée Français Jules Verne NPC
30th of march 2016

1. The 2016-2017 school fees schedule is based on an increase in two phases. Wasn't it easier to directly set a 15% increase?

The new school fees schedule provides for an 11% increase in school fees and registration fees. This rate allows the Lycée to maintain its budget estimates for the 2016-2017 school year as long as the rand value does not exceed 18 ZAR / €. If, by the end of the year 2016, the rand exceeds this threshold, a revision clause will be applied (in January 2017), for a maximum additional increase of 4% of the school fees. This increase should allow the school Board to cover the Lycée up to 22 ZAR / €. Several points to keep in mind: firstly, this additional clause is optional (applicable only if the value of the rand depreciates beyond 18 ZAR / €). Secondly, it is capped to a maximum of 4% (the increase could thus be 1% or 2% according to the changes in the rand value.) Finally, it only applies to the school fees (hence, excluding registration fees as well as canteen fees).

This proposal is the outcome of numerous analysis and studies of potential scenarios. It has the advantage of being 'moderate' as opposed to a direct 15% school fees increase. Families are therefore less impacted, especially those who pay exclusively in rand. We (The Board) also believe that this solution is also a 'reasonable' one since it is linked to the actual situation of the rand. The French Lycée Jules Verne (hereinafter referred to as the "Lycée") is a non-profit organisation and aim to maintain an education of excellent quality by being able to finance the investments required for the proper running of the institution.

2. The impact of the increase of the new fees will be particularly difficult to bear for working parents on local contracts who pay in rand. Does the Board fear to see these families leave the Lycée?

Even when considering a two phases increase scenario (see question n ° 1), the board is fully aware that this increase is well above the inflation rate in South Africa. We do recognize that this might impact all working parents on local contracts, paying in rand. However, given the costs structure of our institution (25% in euros), the Board has no other alternative than increasing the school fees, to cover for these costs invoiced in euros. This mechanism of inflation, called 'imported' inflation, is unfortunately the price to pay for an education of quality, provided by qualified teachers of the French Department of Education. It also allows the Lycée to continue to be certified by the AEFÉ (The Agency for French Education Abroad) which federates all the French schools around the world.

3 – In order to reduce the exposure to the rand depreciation, could the Board not reduce the share of expenses in euros?

The expenses in euros have been analysed by the Board as well as the costs structure of the school in general (operating expenses, investment...). Currently, 25% of the expenses of the school are in euros (i.e. 1.4 Mio). In this context of high volatility of the rand, we are aiming to deal with local providers as much as possible. For specific expenses, we have however no choice than making payments in euros. Such expenses include textbooks and the remuneration of the "residents' teachers", who are employed and paid in euros by the AEFÉ. The Lycée pays 49% of the payroll costs, invoiced in euros by the AEFÉ. ('residents' Teachers currently represent 50% of the teachers of the school; "local contracts" teachers are directly employed by the school and paid in rand).

4 - Given the cost structure of the Lycée, it is particularly sensitive to the variation of the rand. Has the Board looked for alternative solutions?

Insofar, 25% of the Lycée's costs are in euros. High school is particularly exposed to the ZAR/EUR exchange rate variations. The Board has already looked at several options to deal with this situation. Options such as Exchange covers have so far not been selected because of their cost.

Nevertheless, during the end of 2015, the Board has covered 85% of the 2016 expenses due in euros, anticipating the payment to the AEFÉ, in a favorable exchange rate of 15.2 ZAR / €, while at that time, the rand was much lower than today. For 2016, the residual risk is therefore on the balance (15%).

5 –The actual school fees increase this year is important, asking parents to make a higher contribution. In return, what are the efforts made by the Lycée to reduce its costs, and in particular, its capital expenditures?

The management and control of costs are ongoing priorities for the Directorate. Renegotiations of contracts are subject to tenders from different providers, locals whenever possible. The objective is twofold: retain providers who have a better offer and who meet the criteria for selection as well as quality.

The current budgetary context requires us (the Board) to reconsider our investment policy (3.7 million ZAR for 2016-2017 /vs 5.8 million ZAR in 2015-2016). Some investment decisions have been postponed, other reduced. To maintain an education of quality, we cannot afford to fully put on standby our investments. Next year, the focus will be on security e.g. campus safety (Johannesburg and Pretoria) and canteen (hygiene and food).

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Since the end of 2015, we have repeatedly requested the AEFÉ to postpone the increase of the portion paid for the “residents” teachers (in writing and during meetings), and raised the alarm in regards to the consequences of the depreciation of the ZAR. The AEFÉ was not able to concede to the first request and did increase the rate of the salaries of the “residents” teachers from 47 to 49%. However, they agreed to provide an amount of €95.000 of subsidies towards investments related to the security of the Lycée, helping us to maintain the initial proposed investment amount on this important expense.

6. The option of increasing the Lycée’s revenues in euros would reduce the exposure of the rand depreciation, wouldn’t it? Accordingly, "incentives" could be offered to parents to encourage them to pay more in euros.

Currently, about 10% of the school fees are paid in euros, which represent around 7.5 million ZAR. The Board has offered "incentives" to encourage parents to pay in euros. A "discount" of 5% on tuition fees is given to families who can fully pay the school fees in September. In addition, with the new 2016-2017 fees schedule, there will be no additional clause of 4% related to the depreciation of the rand for those same families who pay in advance, either in euro or rands.

The option of a mixed payment in euro and rands has been considered to reflect the Lycée’s cost structure. This option is acceptable for families who can pay in both currencies, however this does not resolve the situation for families who are currently paying in rands, and will have to pay higher fees in case of a continuous depreciation of the rand. In such case, the choice to pay in rands will be instead, even stronger for families who have account in euros. This option could therefore be 'unfair' for some families.

7 - Instead of the additional clause of 4% on the school fees, has the Board considered taking a currency hedge if the rand value exceeds 18 ZAR?

Yes, the Board has indeed considered this option and also looked at the cost of hedging. Since our meeting, an appointment has been scheduled with one of our banks to reconsider the matter.

8 - The French school of Cape Town has fees which are more competitive than those of the Lycée. How do you explain this?

Firstly, please bear in mind that the French school of Cape Town is a completely independent school from the Lycée Jules Verne. As such, we (the Board) do not know their budget constraints and their school fees schedule. However, we know that the situation of the school of Cape Town is very different from ours. The number of student and teachers is significantly lower (including the 'residents' teachers).

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Finally in Cape Town, senior high school students (1ere and Terminale classes) are taught via the CNED, (on-line learning), and therefore have limited face-to-face education, and no specific teacher for each subject. The cost structure is thus different from the Lycée. In addition, according to our information, tuition fees for the next academic year will be increasing by 16%. If confirmed, this increase would therefore be higher than what we have set.

9 – The 2016-2017 school fees schedule is directly related to the depreciation of the rand. What will happen in the event of a continued appreciation of the rand against the euro? Would the fees reduce?

For clear budgetary reasons, we (the Board) cannot change the tariff grid to follow the rand fluctuations during the year. However, as far as inflation is concerned, investments permitting, and after an assessment of a strong and sustainable rand, it could actually be possible to reduce the rate of the increase, to maintain it, or even to reduce it the following year.

10 – The structure of the school fees schedule is "rigid" because it does not reflect the situation which exists between families. It would be more accurate to predict rates by "categories" of families, wouldn't it?

We (the Board) understand that situations varies between families and the weight of the school fees would surely differ, supported, or not, by a company. Until 2013, the school applied such pricing by 'category'. There were "companies/individuals" rates, rates by nationalities, rates euro/Rand. Given the complexity and administrative burden of the system, as well as many fraud observed (especially for tariffs "company/individuals"), the directorate decided, in 2013, to abandon the system, and rather retain a single pricing method applicable regardless of the payer (company or individual) or nationality. Therefore, the structure currently in place no longer differentiate between groups of nationalities (French, South African and other nationalities), and reflects better the various nationalities enrolled at the Lycée (there are 56 nationalities). In addition, by adopting lower rates for pre-primary classes, the Lycée is ensuring its sustainability by targeting more South African children.

11 – The Board mentioned a "strict policy" in the collection of unpaid invoices. In this regard, how much does it represent in the budget?

The amount of these "bad debts" cannot really be assessed until the end of school year because throughout the school year the Lycée acts proactively against defaulters. We (the Board) have put in place strict procedures to ensure a robust recovery process. This allows us to have a good recovery rate. During the last 4 academic years, the amount of "bad debts" has been around R 200 000, representing 0.30% of the total school fees. These rates have been in constant improvement ever since.

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In addition to the recovery of arrears, we also support families in difficulty. We remind you that French and non-French families in difficulty can apply for financial aid.

12 - Would it be possible to set up a "Task force" bringing together parents and the Finance Commission, to look at options to limit the impacts of the currency factor in 2017 and subsequent years?

The School Board fully supports the proposal of a 'Task force', and some parents have already volunteered to take part.

For your information, the "Task force" will meet on the 7th, 11th and 14th of April.