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Reference: SAGS Report July 2017

Dear Messrs Papasavvas and Berbatis

Following discussions on the findings of my report entitled *A Discussion of Issues and Challenges facing St. Andrew’s Greek Orthodox Grammar School*  ( July 2017) please refer to the key actions in a program in 2017-2018 I recommend to rectify and improve the present and oncoming financial challenges facing the HCWA, the Board and key staff of SAGS.

I have read a report of the achievements of School Boards in 2015-2016 by the chair Mr Kotsoglo (February 2017) and while I commend many of the points on the operation and future directions of the school boards, my report focused mainly on the unhealthy financial position and the practical approaches to improving the viability of the future of the school.

The current situation should be recognized and rectifying actions should be planned and done systematically by the HCWA, the Board and key staff of SAGS :

**Immediate Challenges -Tasks for 2017**

The following critical financial, staffing and enrolment decisions this year.

The process between the school and the Department of Education for the re registration of St Andrew’s is underway, and will result in decisions that will also need to be taken by both Boards soon.

The renegotiation of the Enterprise Bargaining Agreement with staff is to be concluded this year, and decisions taken there will have important impacts on the school and its finances.

Many things will need to be undertaken conjunctively due to the close interconnection of problems and possible solutions.

**Financial rectification.**

The cash deficit is estimated to be $1m to 2021 thus the above groups should aim to reduce expenses by $450,000net each year by commencing to cut major expenses in August 2017 and to improve the revenues by December 2017.

**Staff restructure and Enterprise Bargaining Agreement ( EBA )**

* This originated in 2010 and is being renegotiated from July to December 2017. It covers the salaries and conditions of most staff
* EBA re-negotiations are difficult for employers . However, if the school is transparent with staff and the unions regarding finances, they will understand, if not agree, that that alternative is further staff losses. It is important that negotiators ensure that in a worst case the new EBA delivers no more financial burden to the school. Thus I advise to engage a professional negotiator to assist in the EBA negotiations
* The principal measure is to cap salaries, rather than accept the automatic annual growth in salaries.

The Principal will need time to analyse the implications of achieving savings through a mixture of natural attrition, reconfiguration and redundancies. Any premature suggestion of redundancies will see voluntary retirements or departures dry up.

* A second measure is to remove staff discounts on school fees. Current discounts are more than $300,000pa. If this saving is achieved it cannot be seen to offset the need for expense cuts. This revenue enhancement will be needed as a buffer against unfunded liabilities.
* Staff Restructure - If the Boards accept that a salary cap must be imposed, then the implications must be managed with an understanding of enrolment and timetable implications as well as the more obvious upfront cash cost and long term savings.
* Important non- teaching responsibilities will have to be reallocated without increasing expenses.
* The principal is critical to achieving the above with minimal disruption. I advise to confirm to invite him to re-apply, to extend the principal appointment to 1 July 2018, seek to extend his contract to 30 June 2018 and with KPIs to achieve in the period beforehand which will place him in good stead in his application.
* I advise that a “Key leadership group” including the Principal be adopted to assist with the above
* **Overdraft and Loans**
* There are risks to finances from unfunded or underfunded liabilities and risks in long service leave, sick leave, redundancy payments, maintenance and IT. An accurate estimate of the cash impact of these matters should be commenced in August 2017.
* I advise to meet with the school’s bank to ensure that loans are configured for the greatest flexibility and lowest cost available in the market and that overdraft facilities are adequate.
* It is important that the bank has a clear understanding of the school’s circumstances and plans
* A salary cap will trigger a need for funds to pay out LSL and redundancy entitlements at a time when liquidity is low or otherwise inadequate.
* An audit of outstanding maintenance, with emphasis on matters that have Occupational Health and safety implications should be undertaken this year.
* This is necessary to deal with issues that may be raised in the re- registration discussions with the Department of Education, and to quantify budget needs for next year.
* Some capacity must be applied to reducing debt to a level that allows new borrowings for the building of essential new facilities

**Clarify Related Entity Loans**

A part of the process needed to give the banks and the Education Department a clear picture of finances will be for HCWA to review the status of the loan made for the gymnasium and the loan advanced from Hellenic Aged Care which was apparently to assist with liquidity.

HCWA has the option of characterising the gymnasium loan as a grant, and to take over SAGS responsibility for the loan from Hellenic Aged Care.

**School Enrolments**

* The School’s enrolments are now steadily declining, having never been adequate to generate revenue needed for a modern K – 12 school.
* The school’s numbers fall short of the 40 per year group required for assured registration under the Schools Education Act.
* The registration process for SAGS is under way, and will target both financial viability and minimum viable enrolments.
* The only sure path to increased enrolments is to create a new and unique structure and curriculum that will allow it to attract students from other schools in the region. These are elaborated on in the report (pages ).
* The Board of HCWA needs to ensure that the Board of SAGS is constituted with members with the requisite complimentary skill sets to deal with the school’s complex and immediate problems.

**Connected Complex Tasks**

Staff restructure, Enrolments and Timetabling are interconnected tasks for the Principal and his team in the immediate future. Each also has financial implications.

Successful management of the processes demands experience, skill and mature leadership

**Enrolments**

Choice of subjects is an issue in taking in new and keeping existing students. Ignoring or rejecting an emerging demand for a subject offering for which there is no current staff is a problem just as much as accepting such enrolments and then having to seek a new teacher.

A vigorous and well-advertised campaign for both enrolments and reenrolments is essential to sound revenue growth and accurate forecasting.

I have made no review of enrolment practices, but real care must be taken to ensure that families are aware of their responsibility for fees, and that the school ensures that a legally responsible party is a signatory to any enrolment contract.

Parents likely to face payment difficulties must be encouraged or required to identify themselves at the earliest possible stage and enter agreed payment arrangements.

Enrolment and re enrolment time is an opportunity to consolidate and correct school data bases. Make sure the school knows what it needs to know about client families. This is essential for future engagement on possible changes at the school.

**Timetable**

Any staff restructure must be informed by the impact of staff changes on subject offerings and timetable constraints.

It is a challenge in the secondary school to ensure that a qualified teacher is available for any subject offered, and a small number of specialists in a particular area will have predetermining impact on timetable structure. (Scarce science, maths specialists can’t be in many places at once.)

**Engage with Staff**

There must be an agreed and comprehensive plan to manage discussion of proposed changes with all staff.

Staff must be involved in understanding proposed changes and being able to offer constructive input on options for the future.

It is both unjust and unprofessional to exclude staff from discussions, whether through the EBA process or in matters of curriculum and student welfare that concern them all.

There is some evidence already that a lack of open discussion is leading to rumours and uneasiness.

It is vital that the Principal lead the engagement process.

Best practice human resource management and industrial relations practices will assist in ensuring that staff uncertainty does not lead to unwanted departures and a knock-on effect amongst parents.

**Talk with Parents**

Parents must be engaged in emerging issues for the future of the school.

Skilled and professional attention must be given to effective communication on immediate problems and emerging hopes for the future.

Parents need to know about problems, but they need credible assurances for the future.

Engagement will need to include, but not be limited to, face to face meetings. Social media and newsletters are also important.

It is important that Board members and staff act in a professional and considered manner.

Market research, opinion polling and grievance counselling are for designated professionals working from an agreed message.

It is as wrong as it is easy to promote dissent and unease amongst the school community.

**The Future**

Enrolments at SAGS are inadequate for financial or educational viability

Informed professional investigation must be a part of any planning for the future.

Capacity must be created in the Budget to fund professional market research that can inform options for the school.

A key point in my report is that students in the SAGS catchment area have many alternative school choices.

It follows that attracting new students and holding on to existing ones depends on having a SAGS “Brand” that they perceive as superior to the many alternatives.

Unacceptable options in my report should be consciously put aside.

It then follows that others may be impracticable.

When professional judgement and research identifies real future possibilities there must be a clear process with accepted criteria for selecting a model.

It must then be marketed.

Most would agree that it is easier to market something as “new” or “different” rather than “better or “superior”.”

Many non-government schools are going through a planning process similar to SAGS. It will be an advantage to enter the market ahead of the competition.

**Conclusion**

The immediate issues to be addressed start with a decision of HCWA to continue to support a school in some form.

If that is decided in the affirmative, and if they accept my recommendation they should immediately resolve to ask the SAGS Board to reduce expenses for 2018 and in successive years by at least $450,000.

The SAGS Board should then direct the Principal to reconfigure teaching and non-teaching staff at the school to deliver the savings.

In future years, the school must operate within a capped total outlay on salaries and related expenses.

Enrolments for 2018 must be conducted within the ability of the school to offer subjects that can be delivered by the staff that emerge from the restructure.

The SAGS Board should be instructed to have the Principal and other officer renegotiate the staff EBA with the aim of not accepting further cost imposts and to remove the fee discount available to the children of staff members.

The greater challenge of growing the school to a financial and educationally sustainable size must be addressed systematically at the beginning of next year

Yours

* To rectify the projected estimated cash deficit of $1m the above groups should aim to reduce school expenses by $450,000net for each of the next three to five years by commencing to cut major expenses in August 2017 and to commencing to improve the revenues by December 2017.
* Some capacity must be applied to reducing debt to a level that allows new borrowings for the building of essential new facilities
* The School’s enrolments are now steadily declining, having never been adequate to generate revenue needed for a modern K – 12 school.
* The school’s numbers fall short of the 40 per year group required for assured registration under the Schools Education Act.
* The registration process for SAGS is under way, and will target both financial viability and minimum viable enrolments.
* The only sure path to increased enrolments is to create a new and unique structure and curriculum that will allow it to attract students from other schools in the region.
* The Board of HCWA needs to ensure that the Board of SAGS is constituted with members with the requisite complimentary skill sets to deal with the school’s complex and immediate problems.

I look forward to discussing the issues and possible solutions outlined in my report.

Sincerely,

Con Berbatis

Strategic Consultant