



# English Australia & NEAS

Working Party 26 Sep 2019

10am - 2pm

15/255 Elizabeth Street, Sydney NSW  
2000

## Workshop Agenda

1. Objective and Purpose
2. Common mission and vision
3. Three pillars: Quality Assurance, Advocacy, Professional Development
4. Presentation on Two Types of Financial Modelling
5. Discussion and Outcome
6. Designing the Next Stage
7. Planning for Action

## **Draft Working Group meeting notes - 26 September 2019**

**10:05am.**

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### **Item 1 & 2: Objective and Purpose of Meeting/ Common Vision and Mission**

The Chair, NEAS, opened the meeting and provided an overview of the workshop agenda and reiterated the common 'Mission and Vision', and 'Agree Three Pillars of Combined Entity'.

## **Objective and Purpose of Meeting**

1. Look at initial financial modelling.
2. Discuss if this insurmountable.
3. Investigate any other issues.
4. Decide how to proceed.
5. Brainstorm collaborative options.
6. Discuss next steps, including communications.

## **Common Mission and Vision**

1. Mutual collaboration for the benefit of the sector
2. Public acknowledgement of the need for a peak body and an independent quality assurance specialist,
3. Combined organisation objects:
  - a. Advancement of Australia's global reputation and position of high-quality education and training services;
  - b. Promotion and market development of education and training with governments, education organisations and within the community;
  - c. Representation and advocacy of our stakeholders
  - d. Provision of quality assurance services
  - e. Provision of professional development and other services
  - f. Fundraising to further the needs of the community
  - g. Conduct other activities in connection with education and training as considered appropriate or necessary.

The Working Group reviewed the 10 Agreed Merger Assumptions as at 19 March 2019, noting that each Board had reviewed and endorsed the assumptions at their respective meetings in May 2019.

## Agreed Three Pillars of Combined Entity

1. Quality Assurance
  - All members are quality assured by the new entity
  - Members undergo ongoing and continuous quality assurance
  - Documentation from other quality assurance activity may be used to inform and expedite the process.
2. Advocacy
  - A collective voice for the sector
  - Public support for member interests
  - Media commentary
  - Government consultations - representation of members interests/ positions
  - Regulatory support and guidance / assistance with policy changes.
3. Professional Development
  - Annual conferences (potential for just one)
  - Roadshows, symposiums and specialty professional development activities
  - Consulting services and customised professional development offered as fee for service
  - Potential to develop professional development packages offered for an additional annual fee to members

## Agreed Merger Assumptions as at 19 March 2019

1. All members (new and existing) are migrated to the new organisation at a set date (1 July 2020)
2. Under 10% of Members leave either organisation and a reduced number of members is onboarded into the new, merged organisation in one year.
3. Existing members get access to the services available from the new, merged entity (i.e. NEAS members would be able to utilise the EA membership services and vice versa) for an agreed period (i.e. 1 year). New QA processes would be fee for service.
4. Review of existing resources is undertaken to determine the skills required by the new organisation and the number of resources required to meet demand with 100% utilisation with little change in Year 1.
5. Accept that future losses are expected as a result of the increased overhead to the new organisation, with an accepted threshold agreed (i.e. 10% additional overhead above the combined balance sheets from the previous financial years for 3 years) that is budgeted for.
6. A single membership model is developed using principles of equity.
7. Revenue from non-membership activities remains the same.
8. \$100K provision for expenses related to the change management process (legal fees, communication fees, financial auditing fees)
9. 10% increase expenditure into capital projects (e.g. website) to progressively merge components of the organisations and amortise the cost over multiple years.
10. No change in resourcing is required and the existing headcount/ salary provision remains unchanged.

### Item 3: Presentation of Types of Financial Modelling

The CEO, NEAS provided an overview of the collaboration between the two CEO's in undertaking the financial modelling. It was noted that a number of meetings had been conducted to determine the best process.

The Financial Analysis table was reviewed by the working group with consideration for the NEAS, English Australia, and potential combined entity with consideration on Members (discrete, shared, staff, and Board), followed by the Revenue, Expenses, and Net Profit. It was noted that financial data is based on both organisations audited financial statements 30 June 2019. The CEO's noted that the financial analysis was an aggregation of some items as the P&Ls are not specifically aligned. The aggregations are to try and compare like with like and the revenue's, expenditure and net profit figures are accurate as per annual statements.

The CEO, NEAS provided an overview of Financial Analysis 1, which compared 15 members of both English Australia and NEAS. He outlined that all three models using a base fee and student week fee indicated a revenue position below the targeted levels. There was a potential fee reduction for combined NEAS- English Australia members, however, the majority of NEAS members would incur much higher fees. A separate worksheet that applied the models to all NEAS members was demonstrated to the Working group. The financial impact across this NEAS only membership base was even greater.

## Financial Analysis

- Current membership levels & high-level financial analysis

	NEAS	English Australia	Combined
Members (Australia)	120 members, 45 additional sites (total 165 sites)	74 members, 47 additional sites (total 121 sites)	152 members, 62 additional sites (total 214 sites)
Members (International)	9 members, 53 sites	0	9 members, 53 sites
Discrete Members	76 members, 17 centres	32 members, 17 centres	
Shared Members	42 members, 30 centres	42 members, 30 centres	
Staff	4.2 FTE + 7 Contract Assessors	5	9.2 FTE + 8 contractors
Board	7 (4 independent, 3 elected)	14	
<b>Revenue</b>			
Member Fees (Australia)	679,758	932,502	1,612,260
Member Fees (International)	86,576	0	86,576
Conference Revenue	280,233	63,000	343,233
Grants	48,581	222,224	270,805
Other	82,561	172,660	255,221
Investments	69,498	4,934	74,432
<b>Total Revenue</b>	<b>1,247,207</b>	<b>1,395,320</b>	<b>2,642,527</b>
<b>Expenses</b>			
Total Governance & Risk	85,778	52,000	137,778
Total Human Resources	749,831	672,943	1,422,774
Total Marketing, Advertising, PR	71,726	110,000	181,726
Total Travel Expenses	71,715	105,000	176,715
Total Occupancy	92,046	0	92,046
Total Conference Expenses	200,446	43,000	243,446
Other		344,764	344,764
<b>Total Expenses</b>	<b>1,361,463</b>	<b>1,327,707</b>	<b>2,689,170</b>
<b>Net Profit</b>	<b>(114,256)</b>	<b>67,613</b>	<b>(76,643)</b>

# Financial Analysis 1

1. 15 members of both English Australia and NEAS
2. Model based on volume (base + student weeks)
3. Three combinations explored A, B, C
4. While benefitting combined members, most NEAS-only members would experience large fee increases.

Members	Sum of Total		Sum of English	Combined Fees	Sum of Student	Type A		Type B		Type C	
	NEAS Fees (X)	Fees (Y)	Australia Total			(base \$5,000 + 30c	Increase in Fees (X+Y -	(base \$4,500 + 40c	Increase in Fees (X+Y -	(base \$5,500 + 50c	Increase in fees
				(X+Y)	weeks past 12	per student week) (A)	(B)	per student week)	(X+Y - B)	per student	(X+Y-C)
					months				week)(C)	week)(C)	
Redacted College 1	\$ 5,410.00	\$ 20,353.85	\$ 25,763.85		40,000.00	\$ 17,000.00	\$ (8,763.85)	\$ 20,500.00	\$ (5,263.85)	\$ 25,500.00	\$ (263.85)
Redacted College 2	\$ 7,950.00	\$ 14,610.20	\$ 22,560.20		11,860.00	\$ 8,558.00	\$ (14,002.20)	\$ 9,244.00	\$ (13,316.20)	\$ 11,430.00	\$ (11,130.20)
Redacted College 3	\$ 9,710.00	\$ 10,248.10	\$ 19,958.10		10,790.00	\$ 8,237.00	\$ (11,721.10)	\$ 8,816.00	\$ (11,142.10)	\$ 10,895.00	\$ (9,063.10)
Redacted College 4	\$ 6,190.00	\$ 19,959.17	\$ 26,543.85		37,438.00	\$ 16,231.40	\$ (10,312.45)	\$ 19,475.20	\$ (7,068.65)	\$ 24,219.00	\$ (2,324.85)
Redacted College 5	\$ 5,410.00	\$ 10,198.43	\$ 15,608.43		6,571.00	\$ 6,971.30	\$ (8,637.13)	\$ 7,128.40	\$ (8,480.03)	\$ 8,785.50	\$ (6,822.93)
Redacted College 6	\$ 6,190.00	\$ 11,059.07	\$ 17,249.07		13,830.00	\$ 9,149.00	\$ (8,100.07)	\$ 10,032.00	\$ (7,217.07)	\$ 12,415.00	\$ (4,834.07)
Redacted College 7	\$ 4,430.00	\$ 7,412.24	\$ 11,842.24		3,905.00	\$ 6,171.50	\$ (5,670.74)	\$ 6,062.00	\$ (5,780.24)	\$ 7,452.50	\$ (4,389.74)
Redacted College 8	\$ 4,430.00	\$ 8,675.81	\$ 13,105.81		6,578.00	\$ 6,973.40	\$ (6,132.41)	\$ 7,131.20	\$ (5,974.61)	\$ 8,789.00	\$ (4,316.81)
Redacted College 9	\$ 4,430.00	\$ 8,853.02	\$ 13,283.02		7,520.00	\$ 7,256.00	\$ (6,027.02)	\$ 7,508.00	\$ (5,775.02)	\$ 9,260.00	\$ (4,023.02)
Redacted College 10	\$ 8,930.00	\$ 14,411.21	\$ 23,341.21		28,226.00	\$ 13,467.80	\$ (9,873.41)	\$ 15,790.40	\$ (7,550.81)	\$ 19,613.00	\$ (3,728.21)
Redacted College 11	\$ 4,430.00	\$ 11,999.57	\$ 16,429.57		16,777.00	\$ 10,033.10	\$ (6,396.47)	\$ 11,210.80	\$ (5,218.77)	\$ 13,888.50	\$ (2,541.07)
Redacted College 12	\$ 15,970.00	\$ 33,720.50	\$ 49,690.50		65,169.00	\$ 24,550.70	\$ (25,139.80)	\$ 30,567.60	\$ (19,122.90)	\$ 38,084.50	\$ (11,606.00)
Redacted College 13	\$ 4,430.00	\$ 15,011.51	\$ 19,441.51		30,000.00	\$ 14,000.00	\$ (5,441.51)	\$ 16,500.00	\$ (2,941.51)	\$ 20,500.00	\$ 1,058.49
Redacted College 14	\$ 7,950.00	\$ 9,704.42	\$ 17,654.42		6,641.00	\$ 6,992.30	\$ (10,662.12)	\$ 7,156.40	\$ (10,498.02)	\$ 8,820.50	\$ (8,833.92)
Redacted College 15	\$ 6,190.00	\$ 5,615.94	\$ 11,805.94		31,062.00	\$ 14,318.60	\$ 2,512.66	\$ 16,924.80	\$ 5,118.86	\$ 21,031.00	\$ 9,225.06
TOTAL	\$ 102,050.00	\$ 201,833.04	\$ 303,883.04		316367	\$ 169,910.10	\$ (133,972.94)	\$ 194,046.80	\$ (109,836.24)	\$ 240,683.50	\$ (63,199.54)

The CEO, English Australia provided an overview of Financial Analysis 2, which worked on a base fee structure with an additional site fee. He noted that a number of models were reviewed with 5 variations shown to the working group that varied in fees for base and additional sites. Detail was provided to the working group on the work from the two CEO's related to categorisation of group (multi-site) members to assess the impact of those members. Two models based on fee structures of \$10k base and \$1.5k additional, and \$7.5k base and \$2.5k additional were applied to the current membership profile of English Australia, NEAS, and the combined entity. Each model indicated a significantly higher base fee for the majority of members to enable the target revenue to be achieved.

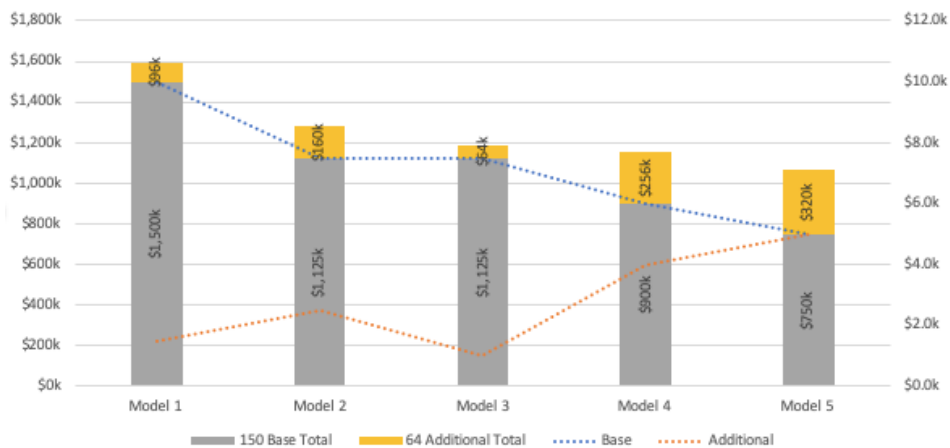
## Financial Analysis 2

1. Explore equitable approach with standard base fee and per site fee.
2. Current combined membership income around \$1.6 mil
3. A range of models have been explored.
  1. Model 1 - Achieves target revenue.
  2. Model 2 - Comparative model with reduced income.
    1. This model aim to reduce the single (primary) site fee due to the variation (and impact) across NEAS membership.

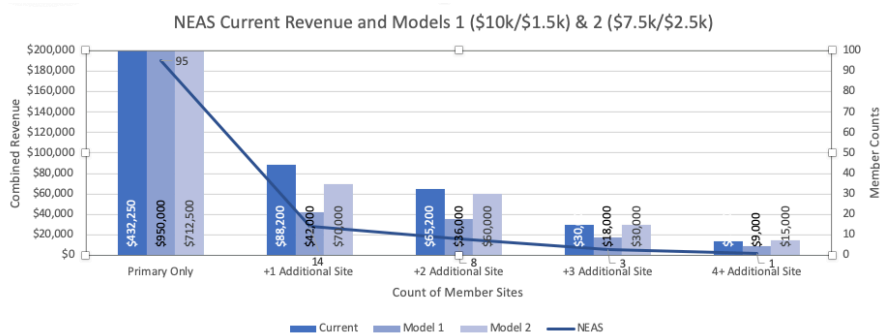
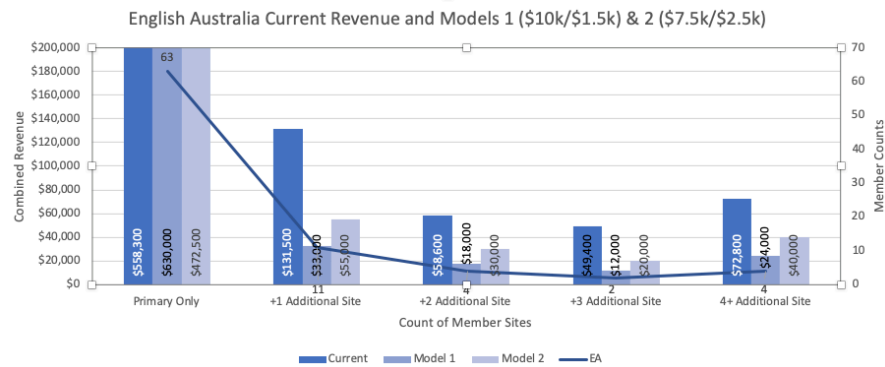
## Financial Analysis 2

Model	Base	Additional site	150 Base Total	64 Additional Total	Total
Model 1	\$10.0k	\$1.5k	\$1,500k	\$96k	\$1,596k
Model 2	\$7.5k	\$2.5k	\$1,125k	\$160k	\$1,285k
Model 3	\$7.5k	\$1.0k	\$1,125k	\$64k	\$1,189k
Model 4	\$6.0k	\$4.0k	\$900k	\$256k	\$1,156k
Model 5	\$5.0k	\$5.0k	\$750k	\$320k	\$1,070k

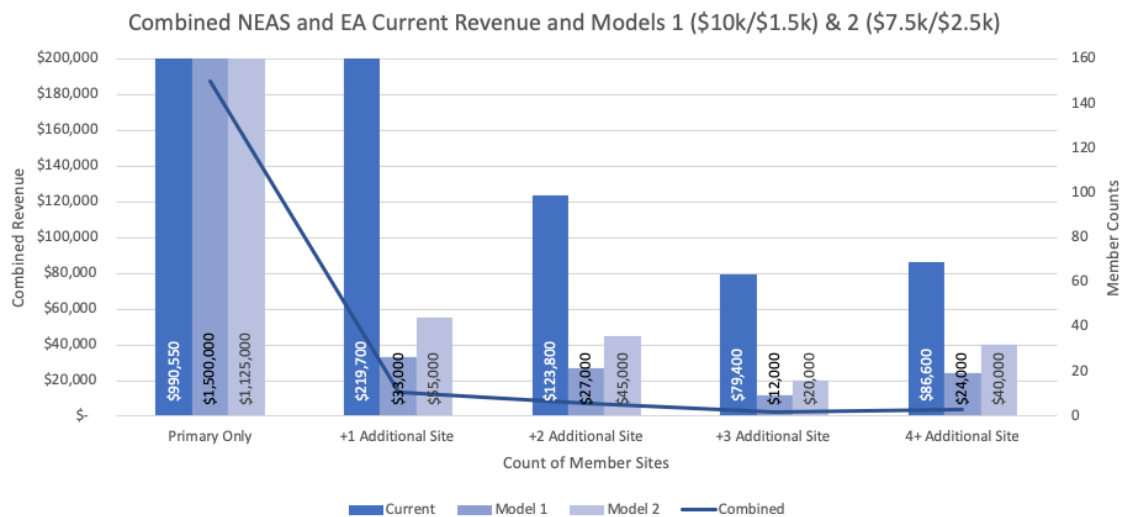
Sensitivity Analysis: 150 Base and 64 Additional Site Fees



# Financial Analysis 2



# Financial Analysis 2



A working group member noted the option of a per student week only fee (no base or additional site). A quick analysis was undertaken of this option, which indicated this approach would benefit smaller providers but significantly impact large providers with fee levels that would be deemed unacceptable.

The Working Group discussed the pro's and cons of each model and noted various risk based on the impact of fee increases across significant numbers of members.

#### **Item 4: Discussion and Outcome**

The Working Group agree that there was no support for either model. They noted the work of the CEO's in compiling the data. It was not deemed necessary for further analysis to be undertaken at this point.

The Working Group agreed to take a short break for English Australia and NEAs working groups to met separately to consider the next steps.

#### **Item 5: Designing the Next Stage**

The Working Group reconvened and reported back on deliberations.

The Chair, English Australia noted that the process has been robust but based on the financial analysis a merger was not viewed as a viable option.

The Chair, NEAS, agreed that they had determined not to go ahead with a merger but noted they felt this did not preclude a future merger opportunity.

The working group agreed that the process had been valuable id developing stronger collaboration between the two organisations and collectively agreed on the following meeting outcomes:

## **Meeting Outcome**

The Working Group collectively agreed on the following items:

1. There is a shared endorsement of the agreed vision and mission that were developed for the new entity.
2. The assessment of financial viability of a new entity based on the agreed assumptions and modelling indicated that it would not be prudent to proceed with a merger at this point in time.
3. The principles of the MOU remain valid and should be utilised to explore collaboration and be reviewed in an ongoing manner.
4. The nature and content of the working group and board discussion of a merger are to be maintained as strictly confidential.



## **Item 6: Planning for Action**

The Working Group noted that they would each need to refer to their Board regarding items for collaboration.

Potential areas of collaboration included:

- 1. Future joint industry conference/ events**
- 2. Professional Development program alignment**
- 3. Joint member Special Interest Groups (SIGs)**
- 4. Recognition of Professional development via English Australia CPD framework**
- 5. National Foundation Programs review - joint activity**
- 6. Joint submissions to various review/ consultation processes**
- 7. Coordinated communications via newsletters**
- 8. Collaborative research projects**

The Working Group members agreed that each party should formally record the key documents from this process within their Board minutes to ensure the work undertaken is not lost and can be easily revisited.

The Working Group discussed the opportunity to reconvene later in the year once each Board had met. The purpose would be to assess possible actions from the potential areas for collaboration.

The meeting concluded at 1:55pm.