

Initial response of Sydney Diocesan Secretariat and Glebe Administration Board to the report of the Archbishop's Strategic Commission

Introduction

1. Sydney Diocesan Secretariat ("SDS") and Glebe Administration Board ("GAB") have discussed the report of the Archbishop's Strategic Commission ("ASC") and resolved to send their initial comments to the Standing Committee to assist it in its deliberations on 19 September 2011 about the report and its recommendations.
2. The comments of SDS and GAB are restricted principally to the recommendations of the ASC set out in section 3 of its report as they relate to matters within the knowledge and expertise of SDS and GAB. While SDS and GAB consider that there are a number of comments made by the ASC in sections 1 and 2 of its report which are inaccurate and fail to appreciate what has already been done over the last 2 years, SDS and GAB believe that they best serve the Standing Committee by limiting their comments to the ASC's recommendations.
3. References in this report to paragraph numbers are references to paragraph numbers in the ASC's report.

Paragraphs 3.1.1 to 3.1.3

4. SDS and GAB have no comment on the recommendations contained in these paragraphs, as these are ultimately matters for the Synod to decide.

Paragraph 3.2.1

5. SDS and GAB believe that further consideration needs to be given as to the way in which the recommendation in paragraph 3.2.1 is to be implemented before the recommendation is adopted.
6. The diagram on page 22 of the report suggests that it is intended that the proposed Central Investment Management Board ("CIMB") be a rebadged GAB. The ASC states that it proposes that the board would consist largely of those within the Diocese who have investment and financial acumen, particularly from the existing GAB and SDS. We welcome what appears to be recognition of the abilities of the present GAB.
7. GAB is currently the trustee of the Diocesan Endowment. It appears that the ASC does not intend that the trust structure be changed, and that the CIMB become the trustee of the Endowment.
8. If this is the case, then the CIMB (as trustee of the Diocesan Endowment) would be the half owner of St Andrew's House, the lender to St Andrew's House and also the manager of St Andrew's House.
9. With this respect, if this is what is intended, the proposed structure gives rise to the same conflicts of interest which GAB has had in recent years when it has sought to manage and lend to the same fund in which it has an ownership interest. Indeed, the suggested structure exacerbates the conflicts that GAB sought to partially address by relinquishing management responsibilities for St Andrew's House. But it appears that the ASC is recommending that the ownership, management and lending functions be again concentrated in the one body.
10. Accordingly, SDS and GAB suggest that further consideration be given as to how St Andrew's House is best managed, and whether it is best managed by a body other than the CIMB. GAB would be happy to provide a separate detailed paper setting out our specific recommendations in that regard, in the context of the CIMB, if requested.
11. Initial consideration by staff of SDS of the proposal to create a CIMB also suggests that the proposal would be difficult to implement. It is intended that further comment about the difficulties be provided to the Standing Committee at its meeting in November 2011.
12. It is also unclear as to whether the CIMB would assume the functions of the Finance & Loans Board. If it is intended that it do so, there are technical and policy issues to be considered, bearing in mind the attempt to combine GAB and the Finance & Loans Board which failed a few years ago. Again, if required, a separate detailed paper setting those out can be provided if requested.

Paragraph 3.2.2

13. SDS and GAB agree with the thrust of the recommendation contained in paragraph 3.2.2, namely that there needs to be appropriate accountability in relation to the management of investments.
14. However, SDS and GAB consider that there will be major practical and governance issues in having the members of the Standing Committee (most of whom do not have relevant expertise) understand the issues sufficiently to give an informed approval about the matters referred to in the recommendation. The same issues will arise with the members of the Finance Committee of the Standing Committee, as presently constituted.
15. There are also important issues of responsibility and accountability involved in this proposal. If the CIMB is to be responsible for managing the investments and making key decisions it must have authority to make those decisions and bear responsibility for them. If the Standing Committee takes on the discretions which are properly the responsibility of the CIMB, the principles of accountability and responsibility would be undermined. If these recommendations are adopted it may be difficult to hold and attract members to the proposed CIMB with the required skills as they would effectively be redundant. There may also be substantial risk of shadow directorship for both the Standing Committee generally and the members of the Finance Committee. Before the recommendation in paragraph 3.2.2 is adopted further consideration should be given to the risks of shadow directorship and the potential for members of the Standing Committee and the Finance Committee to personally assume liabilities in connection with the management of the CIMB, including liabilities incurred in the deposit taking business and for risk of non compliance with the Corporations Act.
16. In terms of governance, a better approach may be for the Standing Committee to ensure that the board has the relevant expertise (which GAB currently has), that the investment strategy is regularly reviewed (as the strategy of the investment of the Diocesan Endowment is regularly reviewed currently) and that the Standing Committee receives regular reports about the investment of the relevant property (as happens now in relation to the Diocesan Endowment). If the Standing Committee is not satisfied that proper investment decisions it should make its views known to the CIMB and, if not satisfied with the response, it should consider making changes to the membership of the board of the CIMB.

Paragraph 3.2.3

17. SDS and GAB have no comment on the recommendation contained in this paragraph except to say that in accordance with good governance practice the financial statements of all major organisations (including the EOS) should be published annually as the financial statements of the Diocesan Endowment are published.

Paragraph 3.2.4

18. SDS and GAB suggest that the recommendations in paragraph 3.2.4 are best considered after the Standing Committee has reviewed a detailed strategic plan for the future of SDS. There has been significant change in SDS over the last 2 years and SDS considers the preparation of a strategic plan would be timely for 2012.
19. The preparation of a strategic plan will involve a review of the objectives of SDS, an assessment of what SDS does well and does not do well, a review of SDS's comparative advantages in service delivery, and a review of opportunities for the future. The preparation of the strategic plan will almost certainly include the undertaking of a quantitative and qualitative survey of parishes and research of the needs of the CIMB and the EOS to clarify the role of SDS and determine the services to be provided.
20. Issues such as the services to be provided by SDS and the degree of contestability for such services are only some of the issues to be considered in relation to the ongoing role of SDS. SDS is an important diocesan resource and a certain scale and capacity is required if SDS is to remain viable. There are important strategic issues to consider on the question of contestability. For example, and without presently expressing a view on the merits or otherwise of contestability, if decisions are made which do not enable that scale and capacity to be maintained an important diocesan resource will be lost and that would have serious consequences for the Diocese and the organisations SDS presently services. There are staffing and cost implications which would need to be considered. A strategic plan for SDS would address such issues and, it is submitted, will allow the Standing Committee to make better informed decisions about the future of the organisation.

21. Until such time as the strategic plan is completed it is suggested that changes should not be made to the board membership of SDS, especially at a time when major changes are being managed and other recommendations of the ASC are being considered and implemented.

Paragraph 3.2.5

22. SDS and GAB have no comment in relation to the recommendation in paragraph 3.2.5 in relation to the composition of ACPT.

Paragraph 3.2.6

23. While SDS and GAB have no in principle comment about the establishment of a Chairmen's Committee, consideration may need to be given as to whether it is intended (or desirable) that the Committee constitute another layer of control within the Diocese and, if so, how this will impact on the legal responsibilities of boards imposed by ordinance or law. There are also questions about how such a Committee would function. In particular, what executive function is required to support the Committee? Who would provide that function? How would it be paid for? It is also uncertain how the Chairmen's Committee will "manage" financial risk as distinct from monitoring it. Perhaps the Committee would best function as a Chairmen's Consultative Committee.

Paragraph 3.2.7

24. SDS and GAB have no comment on the recommendation in this paragraph, except to note that it follows submissions made by SDS and GAB to the ASC.

Paragraph 3.2.8

25. SDS and GAB have no comment on the recommendations in paragraph 3.2.8, except to note that comments about conflicts of interest were made by SDS and GAB in their submissions to the ASC.

Paragraph 3.2.9

26. SDS has very serious concerns with the recommendation in paragraph 3.2.9, particularly insofar as it may impact SDS in its capacity as a service provider.
27. In its report, the ASC notes that a Diocesan body often retains SDS to staff all its needs and expects SDS to do so on a basis that retains confidentiality of the information of the particular Diocesan body. It is said that this leads to the conundrum that staff of SDS deal with the affairs of several bodies, without being able to disclose this knowledge to the other body.
28. One of the consequences, the ASC states, is that the advice provided to each Diocesan body is suboptimal, since a broad Diocesan perspective is not always present in the advice provided.
29. SDS and GAB submit that these comments reflect a misunderstanding of the Diocesan structure and culture. The Diocesan is comprised of a large number of parishes and Diocesan organisations. The object of each organisation is prescribed by ordinance. Regularly, those organisations contract or otherwise have dealings with each other, often on commercial terms.
30. When SDS provides advice to an organisation, it does so to the best of its ability in the interests of that organisation. SDS believes that providing advice in this way is "optimal" rather than "sub optimal". To be effective SDS maintains strict confidentiality in relation to the business of its clients (as they are entitled to expect).
31. One difficulty in trying to impose an overriding "broad Diocesan perspective" is that it frequently does not exist and cannot be ascertained unless stated in an ordinance or a resolution of the Synod or the Standing Committee. To require that SDS staff seek to determine or ascertain such a perspective would involve SDS staff in the political processes of the Diocese, and this is not a function which they should exercise.
32. Rather, SDS considers that the better approach is for it to act in the interests of each of its clients (as it currently seeks to do so) and, where those interests conflict, ensure that the conflicts are identified and are resolved via agreement between the relevant parties, or by political process. We would recommend instead that the taking of a broad diocesan view is better a matter for the proposed Chairmen's Committee.

33. SDS considers that the best way to ensure that organisations served by SDS are acting in the “broad Diocesan perspective” is to have a program for an ongoing review of the objects and activities of the organisations.

Paragraph 3.2.10

34. SDS has no comment about the recommendation in paragraph 3.2.10.

Generally

35. This is the initial response of SDS and GAB to the report and recommendations of the ASC. As mentioned earlier, SDS and GAB believe that there are major practical, governance, responsibility and accountability issues to be considered in relation to the recommendations of the ASC. SDS and GAB are undertaking a detailed review and intend reporting further to the Standing Committee at its meeting in November 2011. The Standing Committee should also note that the implementation of changes of the nature and extent proposed by the ASC would require significant time and resources. Any decision to adopt the changes should only be made if accompanied by a fully costed project plan to implement them, together with appropriate authorities to incur the necessary cost. Further, the implementation will require an adjustment of corporate rights and responsibilities. It may be desirable for any changes to be under the auspices of a temporary body under suitable management and control, with a specific mandate and reporting obligations. We would be happy to provide further advice and views in respect of these matters.

13 September 2011