



Sydney Diocesan Services

Annual Report 2018

Our Mission

To advance the purposes of the Anglican Church of Australia in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese.

Our Vision

Enhancing Capacity for Mission

Our Values



RESPECT

Inspired by Christ's humility, we always treat people with the dignity and care that is due to them as image-bearers of God.

Show proper respect to everyone, love the family of believers, fear God – 1 Pet 2:17



INNOVATE

We continually look for better ways to serve with the resources God has given us.

Each of you should use whatever gift you have received to serve others, as faithful stewards of God's grace in its various forms – 1 Pet 4:10



COLLABORATE

We seek and value the input of others to better meet the needs of those we serve.

God has placed the parts in the body, every one of them, just as he wanted them to be [for] there are many parts but one body – 1 Cor 12:18 & 20



CELEBRATE

We reflect on our achievements and efforts with a spirit of joy and thankfulness to God.

I thank my God every time I remember you [and] I always pray with joy because of your partnership in the gospel – Phil 1:3-5



DELIVER

We are focused on providing outcomes that meet the expectations of our stakeholders.

Always give yourselves fully to the work of Lord, because you know that your labour in the Lord is not in vain – 1 Cor 15:58

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Chair's Report



It has been my privilege to serve as the chair of SDS since my appointment as chair in June 2018. The commitment and engagement of my fellow board members has been an enormous encouragement and support to me during a year of significant change for SDS.

Our constituting ordinance commits us to a mission of advancing the purposes of the Anglican Church of Australia in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese. We do this by serving the Synod and Standing Committee, other diocesan organisations and parishes.

We spent much of 2018 considering how best to discharge our mission by formulating our next strategic plan for 2019-2021. The plan, which we adopted in December, commits us to a vision over the next 3 years of *Enhancing Capacity for Mission*. The board believes the direction set for SDS under this plan will serve the Diocese well during a time when the environment for mission is becoming more complicated and burdensome. Under our plan, SDS will look for creative ways to help parishes and organisations manage this increasing complexity and burden and hence enhance their capacity for mission.

In 2016, the membership of SDS was formally separated from the membership of the Glebe Administration Board. During 2018 the process of appointing entirely separate members to each board neared completion, with only 2 members now sitting on both boards.

I would like to recognise and thank God for the service of Mr Ross Smith who resigned as a member and the chair of SDS in March 2018, having served in those capacities since 2010 and 2012 respectively. I would also like to recognise and thank God for the service of Mr Mark Ballantyne, the Rev Ted Brush and Mr Andrew Stanley, each of whom retired as members in December 2018, and had served as members since 2009, 2013 and 2014 respectively.

During 2018 we welcomed as members Ms Libby Hackett, Mr Ben Meikle and Ms Jennifer Yorath. I look forward to the contribution each will make to SDS. From the perspective of gender balance, it is pleasing to note that we finished 2018 with 3 skilled and experienced female board members.

I would like to acknowledge the dedication, hard work and professionalism of the staff team led by Robert Wicks, our Chief Executive Officer. I am sure many reading this report would have received support from one or more members of the SDS staff team and therefore know the level of skill and commitment they bring to the significant range of services they provide.

Above all, we continue to thank God for His continued blessing. We pray that our work, and the work of the Synod, the Standing Committee, the organisations we support and our parishes, will bring glory to His name in the Diocese and beyond.

John Pascoe
Chair

Chief Executive's Report



Welcome to the SDS annual report for 2018. I trust it gives you a helpful insight into our work.

2018 was a busy year of transition for SDS with the completion of our Strategic Plan for 2016-2018 and the development of our next Strategic Plan for 2019-2021.

Under our Strategic Plan for 2016-2018 our vision was to be a valued partner in the mission of the Diocese, and beyond. Being a valued partner meant meeting the expectations of the Synod and other organisations we serve, anticipating and responding to their needs, and providing parishes with relevant, specialised and accessible services. Having reviewed our achievements over the last 3 years, our view is that we wholly or substantially achieved this vision and the 8 strategic objectives adopted by the board to realise this vision.

Further details concerning the Strategic Plan for 2016-2018 and the 5 high level measures we used to assess SDS's performance during the plan are set out later in this annual report.

In parallel with completing the Strategic Plan for 2016-2018, we spent significant time developing our next Strategic Plan for 2019-2021. This was undertaken in consultation with each of our 5 key stakeholders, being the Synod, parishes, central diocesan organisations, the broader organisational network, and our staff. After significant engagement by the SDS board during the course of the year the board adopted the plan in December.

Our vision under the Strategic Plan for 2019-2021 is – *Enhancing Capacity for Mission*.

Our vision is intended to be a concise statement of what SDS wants to be (and wants to be seen to be) by 2021. It recognises that while SDS is not itself at the frontline of mission, the professional services and administrative support that SDS provides should enable parishes and others at the frontline of mission to focus more on mission. That is, SDS wants to enhance their capacity for mission.

An important part of this plan is the adoption of new organisational values: RESPECT, INNOVATE, COLLABORATE, CELEBRATE and DELIVER. Our goal is to undertake all of our activities through the prism of these values.

Our attention now turns to pursuing the actions identified under the plan to achieve our objectives and realise our vision. I am pleased to report this work is progressing well. Early achievements include recognition of SDS's high standard of governance through accreditation by the Christian Ministry Advancement ("CMA") Standards Council and securing approval to change our name to "Sydney Diocesan Services" to better reflect the nature of our organisation.

Further information about our next strategic plan is set out later in this annual report. I will report next year on progress in implementing the plan.

With such a focus on strategy, it is easy to forget SDS's main effort remains the day-to-day delivery of high quality professional services and administrative support to the Synod, other diocesan organisations and to parishes. The staff of SDS undertake this work joyfully and with commitment to advancing the cause of Christ in this Diocese and beyond. However the task in meeting the expectations of those we serve with the resources available to us is significant.

During 2018 we assessed 29 distinct lines of activity undertaken by SDS. The primary purpose of this task was to form a view, based on an externally validated methodology, as to the cost effectiveness of the services provided by SDS compared to available benchmarks. The outcome of the review was pleasing in that it confirmed that our services are, with some minor exceptions, highly cost effective. Perhaps more significantly, it highlighted yet again the remarkable achievement of a relatively small staff group delivering such a wide range of services within expected timeframes and to an expected quality. We will continue to monitor the cost effectiveness and sustainability of our services, as well as our current cost recovery model of funding, to ensure we continue to effectively fulfil the mission the Synod has given to us.

I want to express my deep and heartfelt appreciation for the commitment of the SDS board and our staff and the support both have given to me as CEO. Their diligence, integrity and shared commitment to the broader mission of the Diocese has been unwavering. I commend this report to you and look forward to our continued partnership for the work of the gospel of the Lord Jesus Christ.

Robert Wicks
CEO

Highlights of 2018

- Achieved or substantially achieved the vision and 8 objectives under our Strategic Plan for 2016-2018.
- Adopted a new Strategic Plan for 2019-2021.
- Produced a surplus of \$160,374.
- Obtained recognition of the quality of SDS's governance through accreditation by the Christian Ministry Advancement (CMA) Standards Council.
- Secured a change in our name to "Sydney Diocesan Services" to better reflect the nature of our organisation.
- Completed the transfer of SDS's data centre to a new "cloud-based" facility reducing costs and risk.
- Completed an externally validated business review of our services, showing that against available benchmarks, our services are generally cost effective.
- Launched the secure SDS Portal for the boards and committees supported by SDS.
- Obtained the benefit of a renewed board membership with the appointment of 3 new members during 2018, bringing the total number of female members by the end of 2018 to 3.
- Hosted the Australian Institute of Company Directors' *Foundations of Directorship* course for 25 directors and senior executives from boards and councils across the Diocese.
- Added the Sydney Anglican (National Redress Scheme) Corporation as a fee paying organisation supported by SDS.

*The advice was just what was needed.
It is great to know we have this type of
support available.*

*Timely and unambiguous advice; in the
best tradition of good administration!*

*It's a blessing to know that there is a wealth
of experience only a phone call away.*

*Went beyond the call of duty to help me out.
The information has enabled us to move
forward with the issue we were facing.*

Highlights for Organisations Served by SDS

As a service provider to the central diocesan organisations of the Diocese, SDS also wants to celebrate the key outcomes achieved by those organisations during 2018 as they pursue their mission.

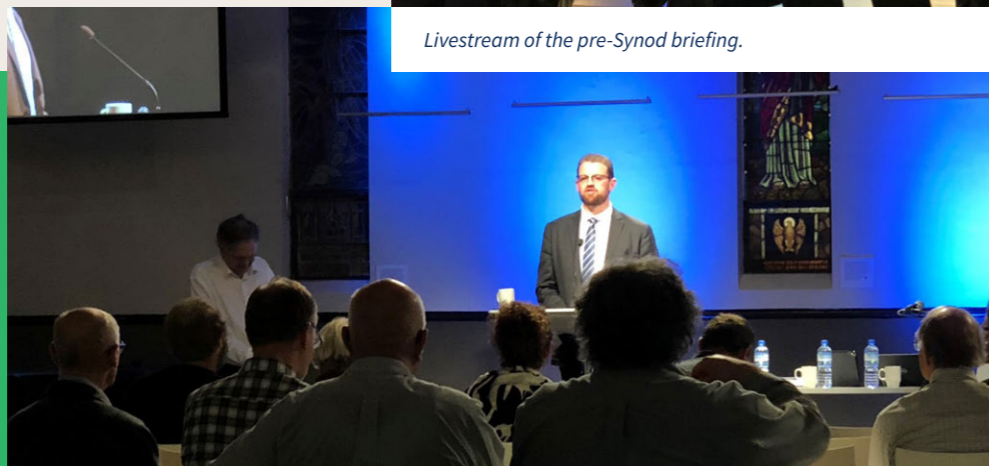
Here are some of the highlights.

Synod and Standing Committee

- Agreed to provide financial support of \$250,000 pa over the next six years towards the costs of the Bishop of Bathurst and his Registrar, subject to the Bishop of Bathurst having the written support of the Archbishop of Sydney.
- Developed and adopted key diocesan policies including –
 - *Policy on Responding to Domestic Abuse, equipping parishes and those in our parishes, to offer the most appropriate care in circumstances of domestic abuse.*
 - *Voluntary Relinquishment of Incumbency, facilitating a dignified pathway for rectors to relinquish their incumbency.*
- Allocated Synod funding of \$6.2 million for 2019, and expressed Synod's intentions for the allocation of funding in 2020-2021.
- Constituted the Sydney Anglican (National Redress Scheme) Corporation to act on behalf of the Diocese in respect to the provision of redress under the NRS through membership of the Anglican participating group.
- Constituted the Anglican Church Growth Corporation to develop strategy and provide advice and assistance in the provision of resources for property related ministry initiatives across the Diocese.
- Provided a livestream of the pre-Synod briefing, covering four of the major topics considered at Synod in 2018, with 394 online viewers.



Livestream of the pre-Synod briefing.



Anglican Church Property Trust Diocese of Sydney

- Executed a record number of 506 documents for parishes and diocesan organisations, including leases and licence agreements, development and grant applications.
- Administered 125 Public Liability insurance notifications and 72 Industrial Special Risks (Property and Contents) insurance claims.
- Facilitated 3 security training workshops attended by over 100 parish representatives.
- Conducted research and consulted with 75 parishes to register various cemeteries and columbaria (niche or memorial walls) with Cemeteries & Crematoria NSW
- Administered 26 building contracts on behalf of parishes ranging from an organ replacement at Gordon to a new church building at Carlingford.
- Assisted parishes make 168 applications under the NSW Government's Community Building Partnership (CBP) resulting in 85 parish projects being granted funding totalling \$1.516 million (\$1.2 million for 62 parishes in 2017).
- Conducted the Building for the Future seminar in November attended by 100 people with a further 100 participating via the live stream to 21 locations.
- Assisted 16 parishes install rooftop solar photovoltaic (PV) panels on their church buildings with 12 parishes receiving a total of \$216,000 of funding for their project through the federal government solar communities 2018 grant program.



Community Building Partnership.



Solar panel installation.



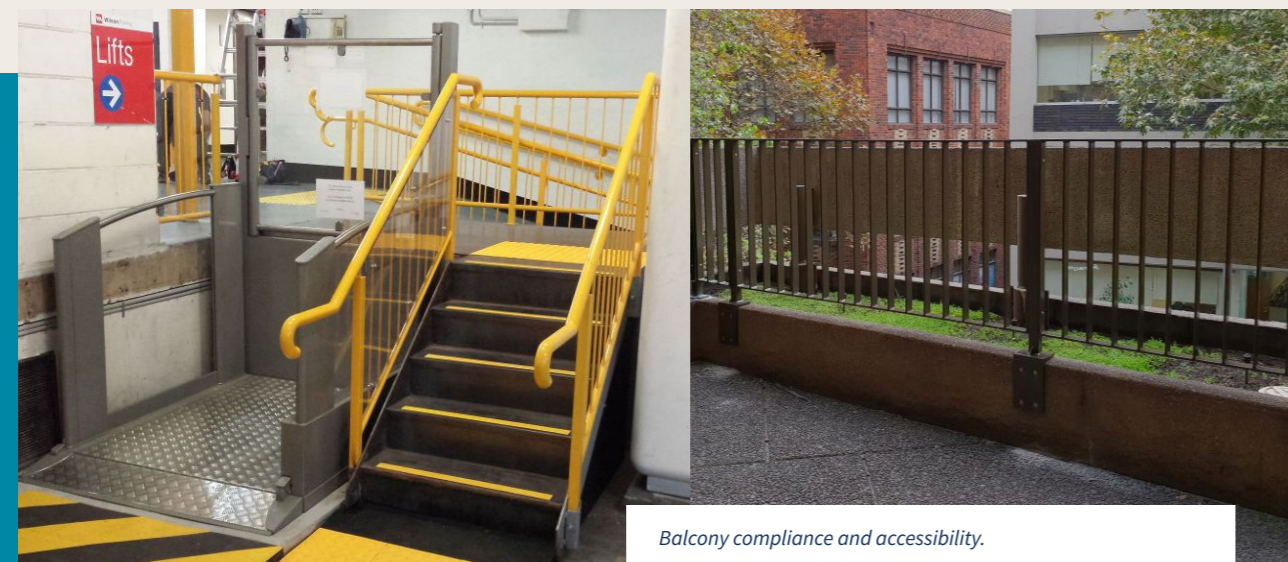
Building for the Future Seminar.

Glebe Administration Board

- Obtained exposure to new asset classes of unlisted property and listed infrastructure to better reflect the Diocesan Endowment's status as a perpetual endowment.
- Achieved a real rate of return between 1 July 2010 and 31 December 2018 of 8.47% pa, which exceeded the current 3.5% pa objective.
- Paid distributions of \$4.69 million from the Diocesan Endowment to Synod (\$4.4 million in 2017).
- Provided distributions of \$1.66 million to investors in the Diocesan Cash Investment Fund (DCIF) at a rate of 1.6% pa.
- Maintained about \$102 million of funds in the DCIF throughout 2018 with 1,941 transactions facilitated without any settlement issues.

St Andrew's House Corporation

- Earned a net operating surplus of \$9.87 million.
- Paid distributions of \$5.30 million (\$5.17 million in 2017).
- St Andrew's House valued at \$175.5 million (\$165.5 million in 2017).
- Undertook capital works in respect of level 1 balcony compliance and accessibility, planned lifecycle equipment replacements and installation of a platform lift in the car park.
- Negotiated a lease over the former Youthworks offices on level 1 resulting in the office tower being 100% let.
- Finalised and adopted the strategic plan for St Andrew's House and commenced work on a number of action items including planning for a cosmetic refurbishment of Town Hall Arcade in 2019.



Balcony compliance and accessibility.

Mission Property Committee

- Obtained approvals for future church buildings at Stanhope, Leppington and Riverstone.
- Completed a subdivision and sale of the surplus land at Riverstone with the sale proceeds contributing to the construction of parish ministry housing and the MPC Stanhope Gardens new church.
- Completed a modular church building scheduled to be occupied by the Wilton parish in March 2019.
- Assisted Huskisson parish in developing its property masterplan including proposed land sales and the purchase of a new church site.

Sydney Anglican Loans

- Earned a net operating surplus of \$0.435 million (\$0.42 million in 2017) with net assets of \$16.977 million (\$16.54 million in 2017).
- Approved 8 loans totalling \$3.308 million (13 loans totalling \$6.15 million in 2017).
- Completed financial reviews of 2 mortgage ordinances for the Standing Committee.



Wilton parish modular church building construction.



Overview of 2018

The mission of SDS is to advance the purposes of the Anglican Church of Australia in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese.

- We achieve our mission by being a service provider to the central organisations of the Diocese, and through them, to our parishes.
- We developed a new Strategic Plan for 2019-2021 by reference to SDS's 5 key stakeholders, and with a vision of enhancing capacity for mission.
- At the conclusion of our Strategic Plan for 2016-2018 –
 - *we considered that we had fully or substantially achieved our vision and 8 strategic objectives under that plan*
 - *we agreed to discontinue the use of the 5 high level measures of our performance used since 2013 and will instead use the measures of performance under the new Strategic Plan for 2019-2021.*
- Our governance arrangements reflect our ongoing desire to ensure the highest standards of corporate governance are adopted and maintained.
- We remain in a sound financial position with the capacity to increase slightly our staff numbers to meet the expectations of the organisations and parishes we serve.



Service Delivery

Central Diocesan Organisations we serve

The central diocesan organisations we serve include –

- Synod and the Standing Committee
- Anglican Church Property Trust Diocese of Sydney
- Glebe Administration Board
- St Andrew's House Corporation
- Endowment of the See Committee
- Sydney Anglican Loans
- Sydney Anglican National Redress Scheme Corporation
- General Synod Representatives
- Professional Standards Unit
- St Andrew's Cathedral Chapter
- Anglican Edcomm
- Ministry Training & Development
- Mission Property Committee
- New Churches for New Communities

SDS has written service level standards with each of the central diocesan organisations it serves which specify the services to be provided by SDS, and the required service levels. The service level standards for a calendar year are agreed with the relevant organisation before the start of that calendar year.

SDS operates on a cost recovery model for the delivery of its services. This means that the fees charged for its services reflect the cost incurred by SDS in delivering those services. Fees are therefore set with each organisation once the services and service level standards are agreed.

Members of staff of SDS are effectively the executive managers of many of the organisations served by SDS since, generally, those organisations do not themselves employ any staff. Acting in that executive capacity, the staff of SDS are accountable to the board of each organisation for the achievement of the organisation's objectives, compliance with board policies and processes and the implementation of other board decisions.

The performance by SDS against the service level standards for each organisation is formally reviewed by SDS in consultation with the organisation every year. No material issue of non-performance with our service obligations was identified during 2018.

Other organisations

We also provide services to a number of organisations from the broader diocesan network including Youthworks and to organisations affiliated with the Diocese, including Freedom For Faith.

Service delivery to organisations from the broader diocesan network usually involves discrete areas of work, often performed over specific periods of time. While SDS still operates on a cost recovery model, such services are usually delivered under standalone agreements.

Services we provide

Secretarial & Governance Services	Office Services	Diocesan & General Administrative Services	Property Services	Financial Services	Other Professional Services
Corporate secretarial support	Reception, meeting rooms and catering	Administer ordinances and diocesan policies	Strategic/technical property advice	Payroll and packaging	Legal and regulatory support
Strategy development and implementation	Mail and office supplies processing	Administer Clergy Assistance Program	Administer estates/bequests	Cash management	IT services
Risk management and compliance		Manage events	Administer grant programs	Investment management	Human resources management
Board membership support		General administrative advice	Maintain title and security document registry	Loan management	Corporate communications
			Commercial property management	Financial and management accounting	Social issues research and support
			Property (project) management	Financial management	
			Administer Diocesan Church Insurances Program	Budgeting and forecasting	
			Assessment of Insurance Requirements		

Strategy

Strategic Plan for 2019-2021

An important focus during 2018 has been the development of SDS's next strategic plan for 2019-2021. The plan has been developed "outside in" by reference to SDS's five key stakeholders being –

- Synod
- Central Diocesan Organisations
- Parishes
- Broader Organisational Network
- Staff

The plan comprises the following elements –



Mission

SDS's mission is to advance the purposes of the Anglican Church of Australia in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese. The mission is determined for SDS by the Synod as its "owner" and is set out in SDS's constituting ordinance.

Vision and Objectives

SDS's vision operates within the scope of our mission as a high level statement of what we want to be at the conclusion of the strategic plan. For the 2019-2021 plan, we adopted the deliberately concise vision of *Enhancing Capacity for Mission*. This recognises that while SDS may not be at the front line of mission, we aspire to provide professional services and administrative support to enable parishes and others who are at the front line to increase their focus on mission. That is, SDS wants to enhance their capacity for mission.

Our objectives describe what we want to achieve for each of our five key stakeholders over the course of the plan. We expect our vision to be realised upon achieving these objectives. Progress in achieving the objectives will be measured against suitable key performance indicators (KPIs).



Strategy

To achieve our objectives, we consulted with our key stakeholders about the changes we need to make to maximise our value to them. These changes, or strategies, will be implemented through specific actions undertaken during the course of the plan and can be summarised by the following strategic imperatives –

Key Stakeholder	Strategic Imperative
Synod	Helping to build a strong diocesan network
Central Diocesan Organisations	Optimising the quality of our services
Parishes	Alleviating burden, enhancing missions
Broader Organisational Network	Collaborating with the broader network
Staff	Empowering staff to make a difference

Values

We adopted a new set of organisational values to assist us in achieving the vision under our strategic plan for 2019-2021. These values are not intended to reflect all the attitudes and behaviours we expect our staff to display as representatives of a Christian professional service organisation. Rather they reflect the specific attitudes and behaviours we consider will be important to achieve the vision and objectives under the strategic plan.



RESPECT

Inspired by Christ's humility, we always treat people with the dignity and care that is due to them as image-bearers of God.

Show proper respect to everyone, love the family of believers, fear God – 1 Pet 2:17



INNOVATE

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CELEBRATE

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DELIVER

We are focused on providing outcomes that meet the expectations of our stakeholders.

Always give yourselves fully to the work of Lord, because you know that your labour in the Lord is not in vain – 1 Cor 15:58

Strategic Plan for 2016-2018

Under our Strategic Plan for 2016-2018 our Vision was that by the end of 2018 we will be a valued partner in the mission of the Anglican Church of Australia in the Diocese of Sydney, and beyond.

We consider that we will be a valued partner in mission if we –

- meet the expectations of the Synod and the other organisations we serve, and anticipate and respond to their needs with effective solutions,
- provide relevant, specialised and accessible services and resources to support parishes having regard to the changing environment in which parish ministry takes place, and
- proactively model and promote servant leadership across the diocesan network and beyond.

In order to realise this vision we had the following 8 strategic objectives –

- To enhance how we communicate with our stakeholders.
- To optimise our service delivery to parishes and the organisations we currently serve.
- To provide additional support for parishes.
- To grow the number of organisations we serve.
- To undertake a key project each year to support mission.
- To provide leadership in governance across the Diocese.
- To enable our people to develop and excel.
- To ensure our sustainability.

In December 2018 we assessed our progress in achieving the vision under the plan for 2016-2018 and considered this had been fully or substantially achieved. We formed this view having regard to the actions completed for each objective over the 3 year period of the plan and the results of the high level measures used since 2013 to assess SDS's performance.

Further information about the results of the high level measures of SDS's performance is set out below.

High Level Measures of Performance

During the period 2013-2018, 5 high level measures were used to assess SDS's performance. These measures related to the following matters –

- financial
- care and safety
- being valued by the organisations we serve
- staff satisfaction, and
- support of parishes

Financial

The financial measure of performance stated that each year SDS will earn a return on opening equity which is not less than 4% per annum, or such other rate determined by SDS from time to time. For the purposes of this measure –

- "opening equity" means the opening equity of SDS less the total amount set aside to reserves (other than a capital maintenance reserve), and
- "return" means the surplus of SDS earned during that year less the amount from that surplus transferred to reserves (other than a capital maintenance reserve).

A summary of the results of these measures is set out below.

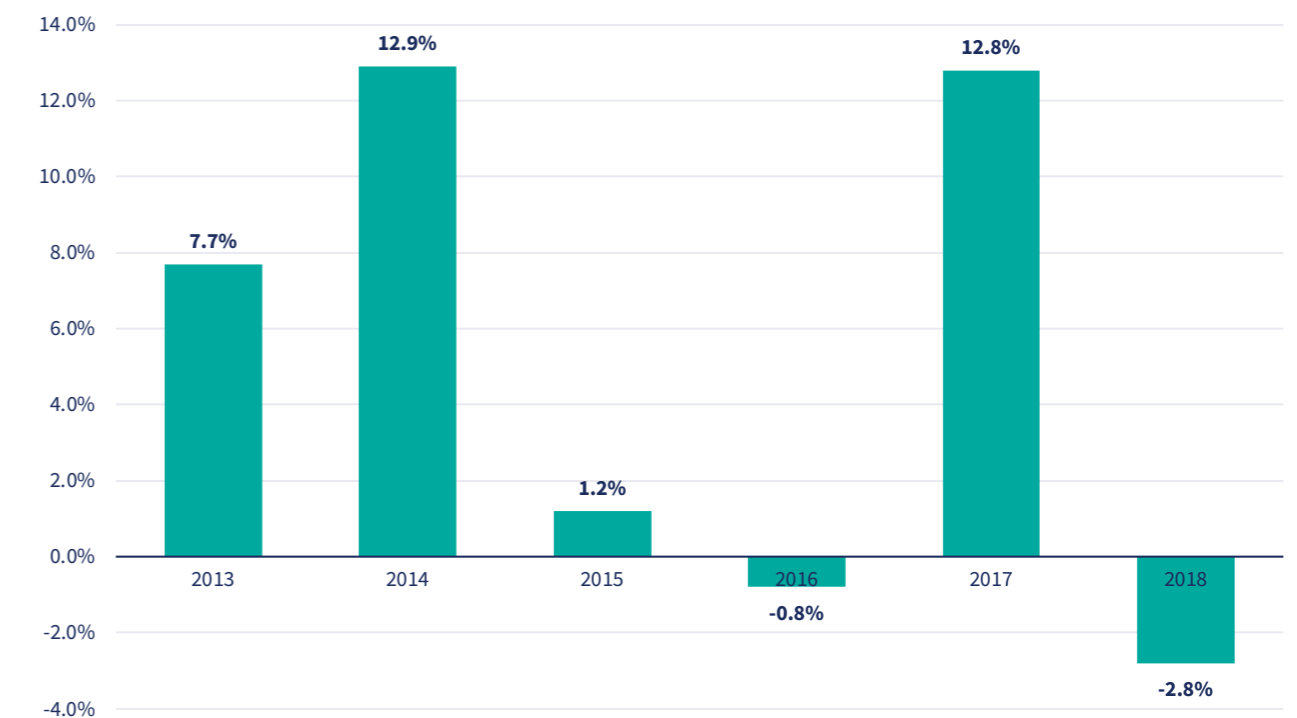
In December 2018, the SDS board agreed to discontinue the use of these measures from 2019 and instead use the measures of performance under the Strategic Plan for 2019-2021.

The return on opening equity (as defined) during the period 2013-2018 was as follows.

During the period 2013-2018, 3 of 6 years met the 4% return on equity target. The compounded annual return on equity for this period was 5.24%.

Under the Strategic Plan for 2019-2021, the key concern (of the Synod) is SDS's financial viability rather than financial performance. This is reflected in the measure of financial viability included in the Strategic Plan for 2019-2021.

Return on Equity



Care and safety

The care and safety measure used during 2013-2018 stated that SDS will ensure that the number of staff work, health and safety notifiable incidents is not more than 2 per annum. Incidents occurring when a staff member is travelling to or from work are excluded for this purpose.

A notifiable incident is when –

- a person dies,
- a person experiences a serious injury or illness,
- a potentially dangerous incident occurs.

During the period 2013-2018, there were no notifiable incidents.

Under the proposed Strategic Plan for 2019-2021, it is not proposed to continue any direct measure of care or safety since these matters relate to legal obligations rather than strategy. Instead the care and safety of staff will continue to be managed and monitored in accordance with SDS’s policies on workplace, health and safety.

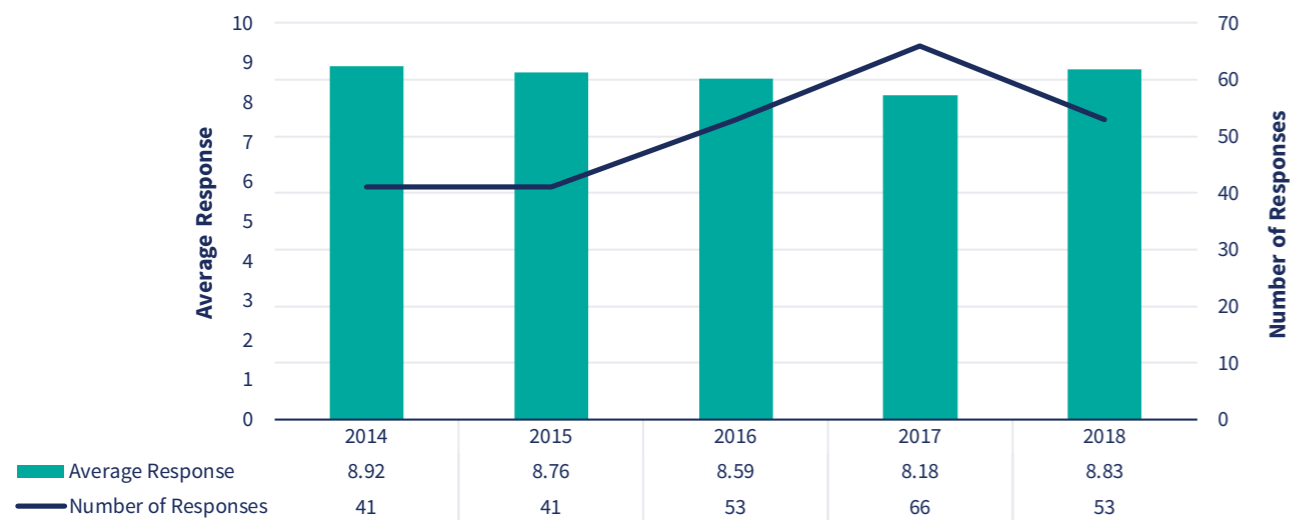
Being valued by the organisations we serve

The measure of organisational satisfaction with our services used during 2014-2018 stated that SDS will show continuous improvement in the degree to which we are valued by the organisations that we serve, to be measured by an increase in the average score from annual surveys undertaken of those organisations.

Annual surveys of the organisations we serve were undertaken in March 2014, 2015, 2016, 2017 and 2018. The following graph outlines the average response (out of a total score of 10) of the members of

the organisations to the question “overall how satisfied are you with the service provided by SDS to your organisation?”.

The measurement of overall organisation satisfaction during this period did not show continuous improvement each year. However the average response was above 8 out of 10 in each of the 5 years in which the survey was undertaken. Under the Strategic Plan for 2019-2021, measures of satisfaction with our service will require minimum targets to be maintained each year.

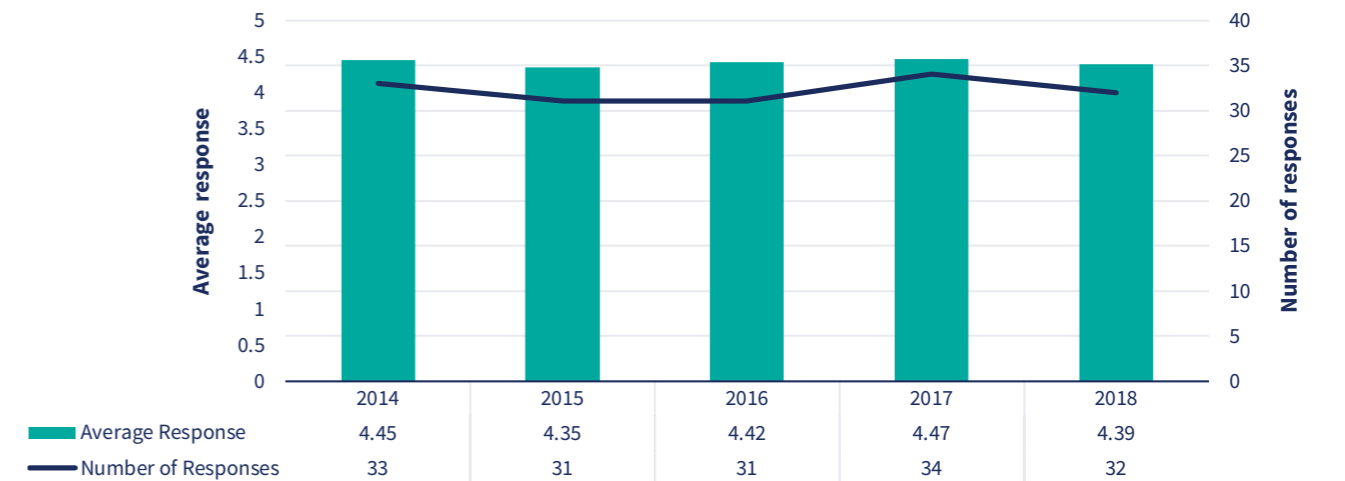


Staff satisfaction

The measure of staff satisfaction used during 2014-2018 stated that SDS will show continuous improvement in the degree to which our staff are satisfied with their work, to be measured by an increase in the average score from annual surveys undertaken of our staff.

Annual surveys of our staff were undertaken in February 2014, 2015, 2016, 2017 and 2018. In each survey staff were asked 18 questions related to their work at SDS. The following graph outlines the average response (out of a total score of 5) of our staff to the question “Overall, how satisfied are you working for SDS?”.

The measure of overall staff satisfaction during this period did not show continuous improvement each year. However the average response was above 4 out of 5 in each of the 5 years in which the survey was undertaken. Under the Strategic Plan for 2019-2021, measures of staff satisfaction will require minimum targets to be maintained each year.



Support of parishes

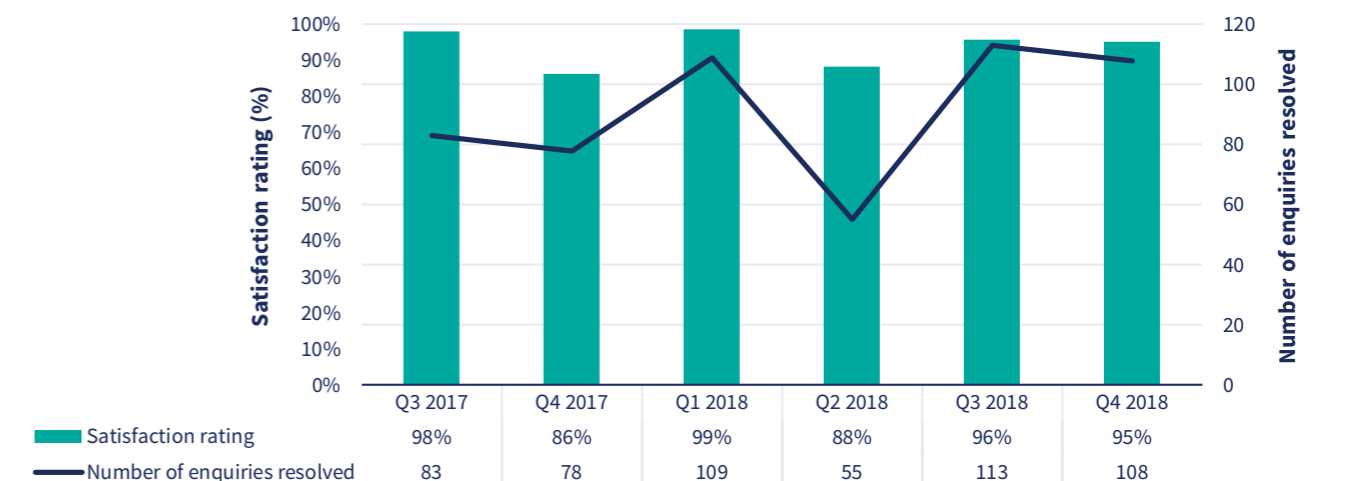
The measure of parish support assessed the degree to which parishes are satisfied with the support provided to them by SDS.

The recipient is also given the option of providing further comment on the service provided. The satisfaction target adopted for supporting parishes is 90% of those who provided a response.

It is considered that the Service Desk application (or similar) provides a useful measure of parish satisfaction, albeit from those who contact SDS for assistance. It is proposed to continue using Service Desk as a tool for measuring progress in achieving a number of strategies for parishes under the proposed Strategic Plan for 2019-2021.

Since June 2017 the degree of parish satisfaction has been measured using a customer Service Desk application. This application automatically requests feedback by asking whether the recipient of support is “satisfied” or “dissatisfied”.

The quarterly figures of parish satisfaction since the commencement of the Service Desk application in June 2017 can be seen in the chart below.



Governance

Constitution and Charter

SDS is constituted by the Sydney Diocesan Services Ordinance 2017 (“2017 Ordinance”) and incorporated under the Anglican Church of Australia (Bodies Corporate) Act 1938.

Under Clause 4 of the 2017 Ordinance the purpose of SDS is to advance the purposes of the Anglican Church in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese.

This is reflected in the function of SDS set out in clause 17.

The 2017 Ordinance also provides that SDS may serve Anglican organisations outside the Diocese or organisations affiliated with the Diocese provided such service is incidental to or facilitates SDS service delivery to the Diocese.

Charity Status

SDS (ABN 69 266 342 710) is registered as a charity under the Australian Charities and Not-for-Profits Commission Act 2012 (the “ACNC Act”).

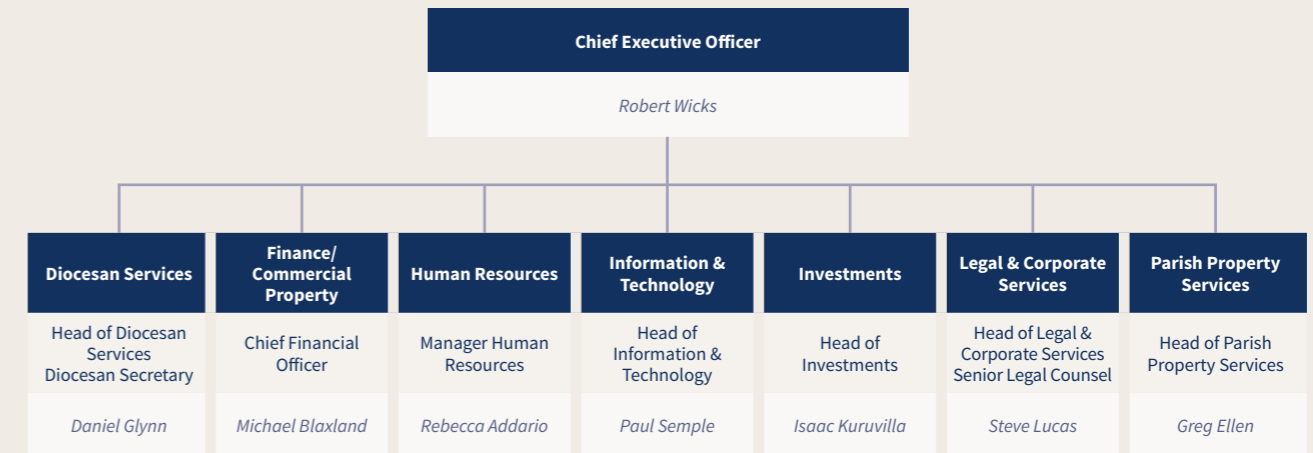
An annual information statement for 2017 which complies with the ACNC Act has been given to the ACNC. SDS is a basic religious charity under the ACNC Act which means that SDS is exempted from the financial reporting and auditing requirements under the ACNC Act.

Conformity with Synod’s Governance Policy

The Sydney Diocesan Services Ordinance 2017, together with SDS’s Governance Statement and other board policies, conform to the requirements of the Synod’s Governance Policy for Diocesan Organisations.

Structure

Information about the membership of SDS is set out later in this Annual Report. As at 31 December 2018, SDS had 33 employees (on a full time equivalent basis). The following diagram outlines the organisation structure.



Risk Management

SDS has a Risk Management Policy and Framework as the means by which it manages risk. The management of risk is principally undertaken through a risk register. The risk register identifies the risks which affect the business of SDS, and assesses the severity of those risks and whether the current controls in place to mitigate those risks are sufficient to bring the level of risk to an acceptable level.

Where an assessment is made that the risk remains unacceptably high, the risk register records the further action that needs to be taken.

The main categories under which risk is managed for the business of SDS are –

- Operational
- Regulatory
- Financial
- Safety
- Reputation
- People/Culture
- Strategic

The risk register is reviewed formally every 12 months. The Chief Executive Officer, on behalf of the management, periodically certifies to the members of SDS about the adequacy of current controls used to mitigate risk.

Governance Standards

SDS is committed to the highest standards of governance, which are fundamental to its sustainability. SDS's governance standards are set out in its Governance Statement and shown below.

In developing this statement, SDS has considered –

- the governance standards applying to charities registered with the Australian Charities and Not-for-profits Commission (“ACNC”), and
- the Corporate Governance Principles and Recommendations (3rd Edition) (2014) published by the ASX Corporate Governance Council (“ASXCGC”), and
- the Australian Institute of Company Directors’ (“AICD”) Not-for-Profit Governance Principles, and
- the Christian Management Association (“CMA”) Standards Council’s Nine Principles of Ministry Accountability, and
- the Governance Policy for Diocesan Organisations adopted by the Synod in October 2014.

SDS is registered with the ACNC as a charity for the advancement of religion. The ACNC Governance Standards do not apply to SDS as it is a Basic Religious Charity. Nonetheless SDS seeks to comply with the Standards.

While SDS is not a listed entity it recognises that the Corporate Governance Principles and Recommendations of the ASXCGC reflect a contemporary view of appropriate corporate governance standards which are helpful to SDS in formulating its governance rules and practices.

The Governance Policy for Diocesan Organisations articulates principles which reflect the Synod’s expectation that each diocesan organisation will seek the highest standards of governance appropriate to the size and nature of that organisation. SDS has adopted those principles, where relevant and appropriate, having regard to the size of SDS and the nature of the work it undertakes.

1. Purpose and Not-for-profit character

The purpose of SDS, as set out in clause 4 of the SDS Ordinance, is to advance the purposes of the Anglican Church of Australia in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese.

The principal organisations served by SDS are the Synod of the Diocese of Sydney and its Standing Committee and their subcommittees, parishes, Glebe Administration Board, Anglican Church Property Trust Diocese of Sydney, St Andrew’s House Corporation, the Endowment of the See Committee, the Mission Property Committee, and the Sydney Anglican Loans.

2. Roles and responsibilities

The members of SDS, acting collectively, are responsible for –

- providing leadership and setting the strategic objectives of SDS, and
- appointing the Chair, and
- appointing, and where necessary replacing, the Chief Executive Officer, and
- approving the appointment, and when necessary replacement, of other senior executives, and
- approving SDS’s strategic objectives, and
- overseeing management’s implementation of SDS’s strategic objectives and its performance generally, and
- approving operating budgets and major capital expenditure, and
- overseeing the integrity of SDS’s accounting and corporate reporting systems, including the external audit, and
- overseeing SDS’s process for making timely and balanced disclosure of information to its stakeholders, and
- ensuring that SDS has in place an appropriate risk management framework and setting the risk appetite within which the members expect SDS to operate, and
- monitoring the effectiveness of SDS’s governance practices.

SDS has an Audit Committee and a Nominations Committee to assist it in fulfilling its responsibilities.

The main role of the Audit Committee is to monitor, report, and make recommendations to SDS about the financial reporting processes of SDS, the internal control systems and the independent audit process. The charter of the Audit Committee is reviewed periodically by SDS.

The main role of the Nominations Committee is to make recommendations to SDS, for its advice to the Standing Committee, about the preferred skills and experience of a potential candidate to fill a vacancy in the membership of SDS.

SDS has delegated to the Chief Executive Officer, and through the CEO to the other executive staff of SDS, responsibility for the day to day management of the business of SDS. The scope of that delegated authority, and the limits on that authority, is documented and reviewed periodically by SDS.

3. Membership

Membership of SDS

The members of SDS are appointed by the Standing Committee under the Sydney Diocesan Services Ordinance 2017.

Under the SDS Ordinance the board of SDS consists of 9 members elected by the Standing Committee and 1 member appointed by the Archbishop.

The name of each member, together with information about their qualifications and experience, is set out in the annual report of SDS.

At least 2 members are to be ordained clergy licensed in the Diocese of Sydney or persons with at least a three year degree from Moore Theological College or another college that is endorsed by the Archbishop.

Appointment of Members

SDS is to have an adequate number of members with appropriate skills and commitment to adequately discharge their responsibilities and duties.

SDS advises the Standing Committee about the preferred skills and experience of candidates to fill vacancies in the office of member.

The Standing Committee may appoint, as a member, a person other than a potential candidate recommended by SDS.

Independence of members

No member of SDS is an employee of SDS.

Each member of SDS is to be free from any business or other relationship that could interfere with the exercise of their unfettered and independent judgment as a member.

Each member is expected to disclose any business or other relationship which they may have with SDS.

Statement of Personal Faith

A person is not eligible to be elected as a member unless the person has first given the Secretary of SDS a signed copy of the Statement of Personal Faith set out in the Schedule of the SDS Ordinance.

Term of office

A member of SDS holds office for a term of 3 years.

Eligible members may offer themselves for re-election by the Standing Committee. SDS also makes recommendations concerning the re-election of any members by the Standing Committee. A person is not eligible to be re-elected or re-appointed as a member if such re-election or re-appointment would result in that person being a member of SDS for a continuous period of 14 years or more.

Induction of members

On appointment, a member receives a letter of appointment which sets out the expectations of the member and the conditions of appointment. A member is also offered an induction program to familiarise them with matters relating to the business, strategy and any current issues before SDS.

The induction program includes meetings with the Chair, and the CEO and senior executives, as appropriate.

SDS and each member enter into a Deed of Indemnity, Access and Confidentiality.

Meetings of members

The SDS Ordinance sets no minimum number of meetings, but instead provides that the members are to meet at such times as they may determine. The general practice of SDS is for the members to meet at least quarterly during the year and at other times when required.

SDS has operating protocols for its meetings which cover matters such as the business of the meeting, attendance at a meeting, and how matters are to be discussed and determined at a meeting.

The CEO attends all meetings. The Chair, on the recommendation of the CEO, determines which other staff members or external consultants will be present at a meeting.

At each meeting, there is the opportunity for members of SDS to discuss matters in the absence of the CEO and other staff members.

Review of performance of members

The members of SDS regularly review their performance and effectiveness.

Learning & Development

SDS endorses and supports the appropriate development of its members, and expects that they will undertake ongoing learning and development which is relevant to their role as a member. SDS has a Member Learning & Development Policy which describes how SDS will provide support to members in undertaking learning and development.

4. Accountability and Transparency

SDS is accountable to the Archbishop, the Synod and the Standing Committee being the representatives of the Diocese of Sydney for whose purposes SDS is constituted.

In accordance with its obligations under the SDS Ordinance, SDS –

- provides the Archbishop with copies of its agendas, if the Archbishop so requests, and
- reports to the Standing Committee from time to time about its affairs and is to cause minutes of its meetings to be tabled at a meeting of the Standing Committee at least once every quarter, and
- provides the Standing Committee with such information regarding the affairs of SDS as the Standing Committee may require from time to time, and
- answers any question on any matter relating to the affairs of SDS asked by any member of the Standing Committee and which has been referred to SDS by the Secretary of the Standing Committee.

The Archbishop is President of SDS, and may attend any meeting and may address SDS on any pastoral or policy issue concerning the Anglican Church as it applies to SDS. The Archbishop may request a copy of the agenda for any meeting of SDS.

SDS also complies with the provisions of the Accounts, Audits & Annual Reports Ordinance 1995 which include provisions as to reporting.

SDS publishes its annual financial statements and its annual report on its web site.

Responsibilities of members at act ethically and responsibly

In undertaking their responsibilities, members of SDS are –

- to act with reasonable care and diligence in the performance of their functions
- to act in good faith in the best interests of SDS and to further its purpose
- not to misuse their position as members
- not to misuse information they gain in their role as members
- to promptly disclose actual or perceived conflicts of interest
- not to participate in discussions, or vote on any matter regarding an actual or perceived conflict of interest without the approval of other members
- to ensure the financial affairs of SDS are managed responsibly
- not to allow SDS to operate while it is insolvent

Conflicts of interest

SDS's conflict of interest policy provides guidelines for recognising and managing conflicts of interest of members and specifically requires that –

- all members are required to disclose any actual, potential or perceived conflict of interest upon appointment and are required to keep those disclosures to SDS up-to-date, and
- any member with an interest in a matter may not participate in discussion or vote on that matter, unless SDS resolves otherwise.

In addition, staff of SDS are not permitted to participate in activities which involve a conflict with their duties and responsibilities or which are prejudicial to SDS.

Compliance with Australian law

SDS is subject to a number of specific legal and regulatory obligations by reason of the activities it undertakes. SDS has identified those obligations and monitors compliance with those obligations.

The members of SDS collectively, and each member individually, may seek independent professional advice, at SDS's expense, to help them carry out their responsibilities. The Chair's prior approval is required, but will not be unreasonably withheld.

5. Financial reporting

Core principles

SDS's approach to financial reporting reflects the following core principles –

- its financial reports present a true and fair view, and
- its financial reports fully inform the members as to financial exposures, and
- its accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies, and
- appropriate internal controls are maintained, and
- its external auditor is independent.

Integrity in the financial reporting system is maintained through –

- the work of the Audit Committee, and
- the work of the External Auditor, and
- CEO and CFO assurance.

Audit Committee

The Audit Committee reviews and assesses any significant estimates and judgments in financial reports and the processes used to monitor and comply with laws, regulations and other reporting requirements.

Members of the Audit Committee are chosen on the basis of relevant skills and experience. The Audit Committee has the flexibility to augment its skills and experience by appointing persons who are not members of SDS, subject to SDS approval.

The performance of the Audit Committee is reviewed as part of the annual performance review undertaken by members.

The Audit Committee may meet with the external auditors without management being present.

Given the relatively small size of SDS an internal audit division is not warranted. SDS has instituted internal controls and appropriate division of duties. The accounting controls monitor for breaches of authority.

External Auditors

The role of the external auditor is to provide an independent opinion that the financial reports are true and fair and comply with applicable regulations.

The external auditor has access to the minutes and papers of SDS and its Audit Committee.

The external auditor submits an annual declaration of independence to SDS.

Any advisory services by the external auditor are detailed in the notes to the annual financial statements.

The external auditor attends all meetings of the Audit Committee at which a report is presented by the auditor about management, monitoring of financial risks, significant and unusual transactions, any correspondence with regulators and asset valuations.

CEO and CFO Assurance

The members of SDS receive a letter of representation, signed by both the CEO and the Chief Financial Officer, assuring SDS that in all material respects –

- the financial records have been properly maintained to correctly record and explain its transactions, and
- the financial statements and notes required comply with the accounting standards, and
- the financial statements and notes give a true and fair view of the financial position and of the performance of the organisation, and
- that appropriate internal controls and risk management systems are sound, and continue to run in an efficient manner, and
- that proper retention processes are in place to ensure these records are recoverable and useable for a period of seven years.

6. Risk management

Risk Management

SDS regards managing the risk that affects its business as a fundamental activity, as it influences its performance, reputation and future success.

Effective risk management involves achieving an integrated and balanced approach to risk and reward, and assists us in achieving our objectives of optimizing financial growth and mitigating potential loss or damage.

Risk Management Roles and Responsibilities

SDS approves the organisation's risk identification and management strategy and periodically reviews that strategy. SDS also sets its risk appetite, which is the type and total amount of risk it is willing to accept in pursuit of its objectives.

The CEO and senior managers are responsible for implementing the risk management framework, systems, controls and procedures for identifying risk and management of risks adopted from time to time by SDS.

The CEO and senior managers ensure that risks are quantified, appropriate risk limits (tolerances) are maintained and that financial exposures are fully reported to SDS.

Compliance Reporting

SDS sets SDS's compliance policy and monitors its compliance with its obligations in accordance with the compliance policy.

The compliance coverage and depth of review is reviewed in response to changing circumstances.

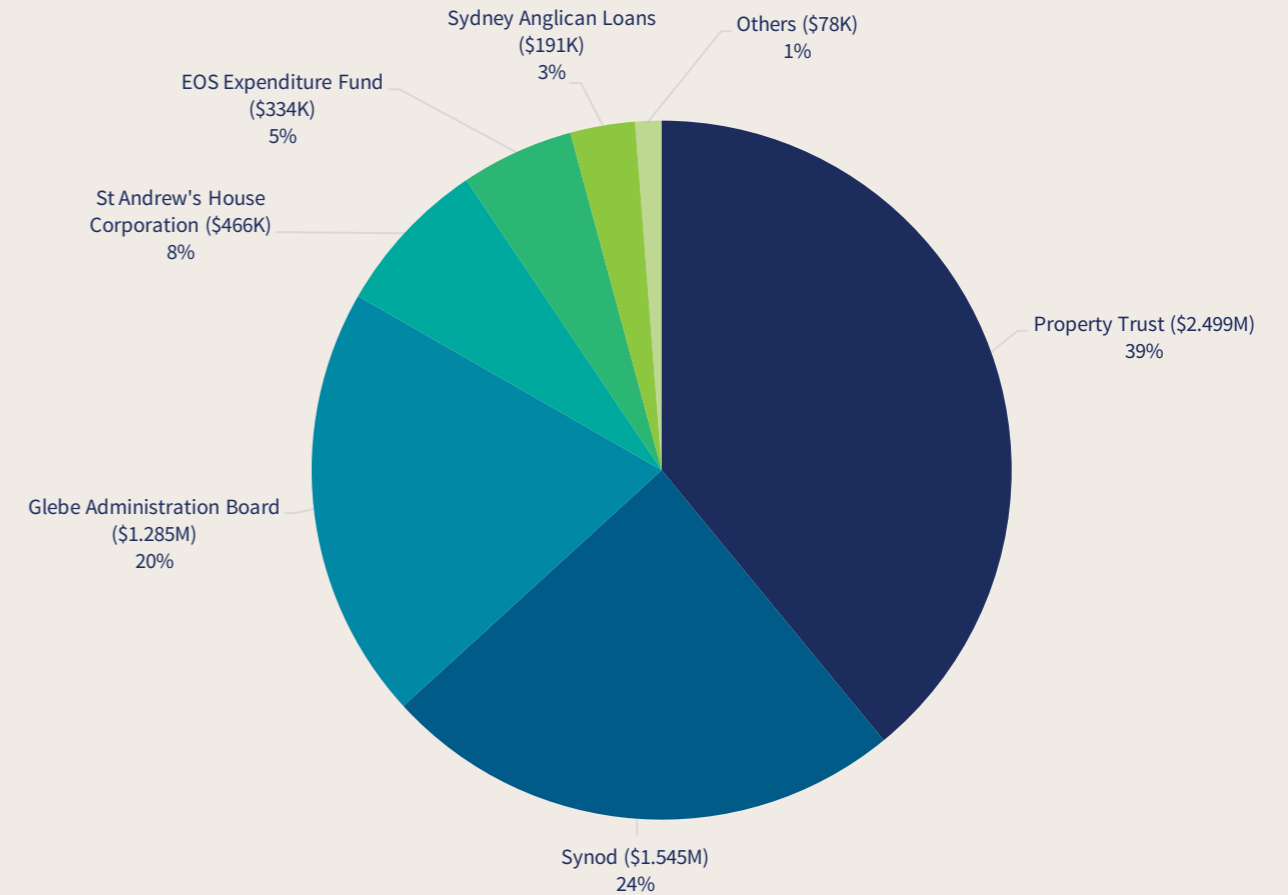
Compliance reporting is the responsibility of the Corporate Secretary of SDS.

Financials

Funding of SDS

SDS is primarily funded by the fees it charges the organisations it serves. The fees charged are determined on a cost recovery basis. This means that the fee charged to an organisation is the amount required for SDS to recover the cost of providing the services to that organisation. This principle of SDS recovering its costs was approved by the Standing Committee in December 2010.

The total income of SDS during 2018 was \$7.3 million, compared to \$7.2 million in 2017. Of that amount \$6.4 million comprised the fees charged to diocesan organisations served by SDS, and \$0.9 million was income from other sources (such as interest and sublease income).

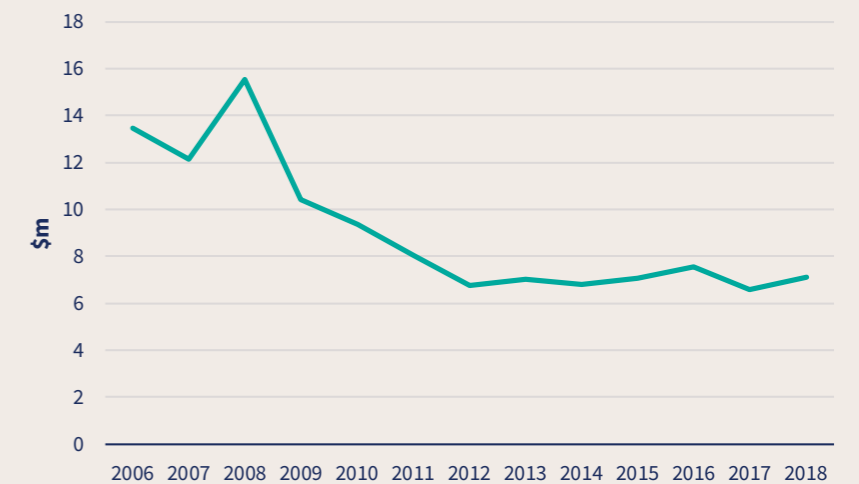


Operating Expenses

The graph to the right shows the operating expenses of SDS in 2018, and in prior years.

The increase in operating expenses in 2018 compared to 2017 was 8.1%. This follows a decrease in operating expenses in 2017 of 13%. The main contributors to the increase in 2018 were increases in staff costs (3.5%) and office operating expenses, which includes computer network expenses due to transition to externally hosted servers (39%). The increase in 2018 brings SDS closer to sustainable levels of operation. Nonetheless, all expenses of SDS are periodically reviewed to ensure they are appropriate.

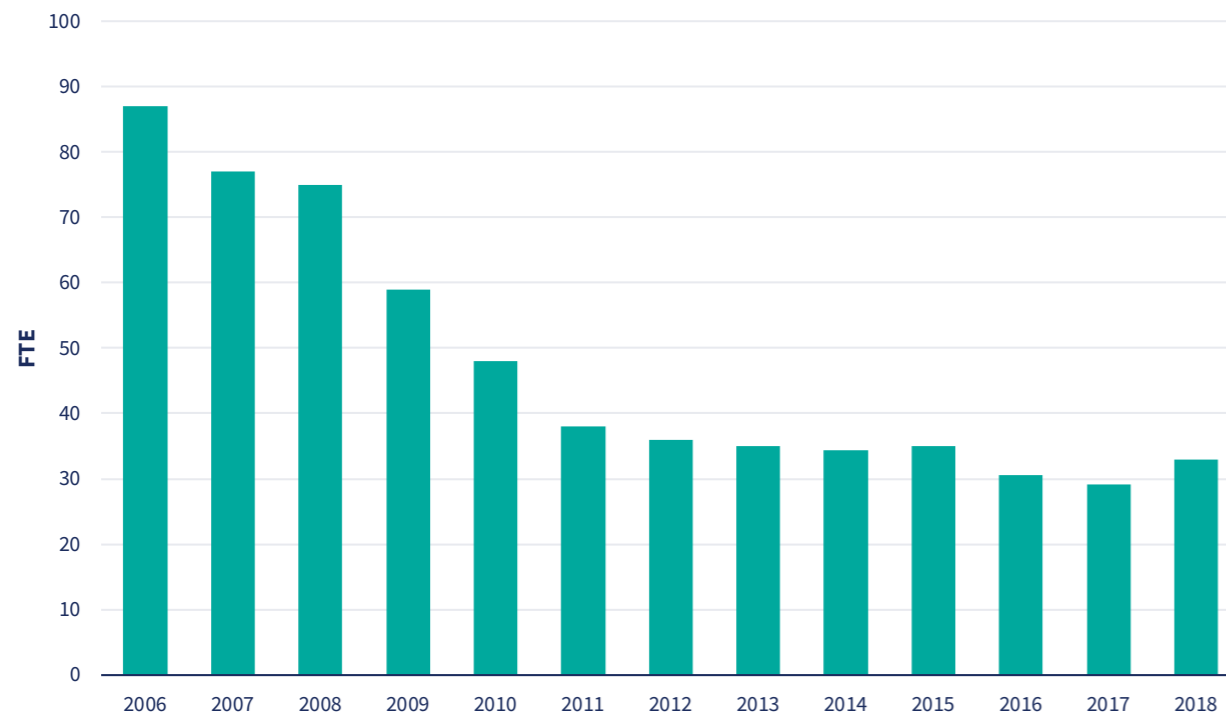
Operating expenses of SDS



Staff Numbers

The change in staff numbers in recent years on a full time equivalent (FTE) basis is shown in the following graph.

Change in numbers of full time staff



5 Year Financial Summary

The income and expenses of SDS for 2018 were as follows (with comparatives for 2014-2017). Further information about income and expenses can be found in the Financial Accounts of SDS for 2018.

\$000s	2014	2015	2016	2017	2018
INCOME					
Total Income	7,367	7,541	7,610	7,167	7,279
EXPENSES					
Staff Expenses	4,409	4,564	4,906	4,405	4,562
Other Expenses	2,390	2,489	2,639	2,180	2,557
NET SURPLUS	568	488	65	582	160

The balance sheet of SDS as at 31 December 2018 can be summarised as follows (with comparatives for 2014-2017).

\$000s	2014	2015	2016	2017	2018
ASSETS					
CURRENT ASSETS					
Cash	8,487	5,338	5,687	5,684	6,025
Other	377	280	571	385	369
NON-CURRENT ASSETS					
Lease Incentive	23	16	2	-	-
Fixed Assets	1,068	987	861	616	634
TOTAL ASSETS	9,955	6,621	7,121	6,685	7,028
LIABILITIES					
CURRENT LIABILITIES					
Payables	420	454	755	350	433
Current accounts with client organisations	4,968	960	1,240	743	782
Provision	940	1,094	1,119	1,006	1,058
NON-CURRENT LIABILITIES					
Provisions	555	552	381	378	386
TOTAL LIABILITIES	6,883	3,060	3,495	2,477	2,659
NET ASSETS	3,072	3,561	3,626	4,208	4,369
EQUITY					
Capital	2,062	2,062	2,062	2,062	2,062
Reserves	549	1,066	1,255	1,613	2,016
Accumulated Surpluses	461	433	309	533	290
TOTAL EQUITY	3,072	3,561	3,626	4,208	4,369

Membership

Membership of Sydney Diocesan Services

Under the Sydney Diocesan Services Ordinance 2017, 9 members of SDS are elected by the Standing Committee and 1 is appointed by the Archbishop. As at 31 December 2018, the members of SDS were –



Mr Greg Hammond OAM, BA, LLB, ThA

Consultant in banking and finance; former partner of King & Wood Mallesons; chairman of Anglican Community Services (t/as Anglicare Sydney), the Australian College of Theology and Olive Tree Media; director of G&C Mutual Bank and Opportunity International Australia; Adjunct Fellow at Macquarie University in the Applied Finance Centre; member of the Glebe Administration Board; and previous service on Diocesan and other not-for-profit boards and committees. Member of Macquarie Anglican Churches. Board member since 2014.



Ms Robyn Hobbs OAM, MMgt, JP

(Archbishop's appointment)

NSW Small Business Commissioner, leading a team that provides advocacy, mediation and dispute resolution services to small businesses in NSW. Previously worked in a diverse range of industry sectors including the arts, business, community services, government, media, social welfare, and transport. She has held executive roles at the Sydney Opera House, State Chamber of Commerce and the City of Sydney. In 1983 Robyn founded Carols in the Domain, which is Australia's largest community Christmas concert. In 2009 she received the OAM for services to the community for founding Carols in the Domain, and raising funds for The Salvation Army. Attends St Mark's Darling Point and has served on the Anglicare Board. Board member since 2017.



Mr John Pascoe, FCA, BEc

(Deputy Chair until 27 June 2018; Chair since 27 June 2018)

Partner Pascoe Whittle Chartered Accountants; Member of Standing Committee, Finance Committee, St Andrew's House Corporation (until 13 May 2018), St Andrew's Cathedral Chapter and Diocesan Resources Committee; Audit Committee (Chair until 27 June 2018). Attends St Andrew's Cathedral. Board member since 2009.



Bishop Michael Stead, BCom(Acc), BD(Hons), DipMin, PhD

Bishop of South Sydney; Member of Standing Committee Diocese of Sydney; Diocesan Representative on General Synod; Member of General Synod Standing Committee; Secretary of the General Synod Doctrine Commission. Chair Audit Committee (Acting from 28 June 2018, appointed 19 September 2018). Prior to ordination, worked for PricewaterhouseCoopers from 1990-1996. Board member since 2015.



Mr Mark Ballantyne, BE, MBA, FIAA

Qualified Actuary; General Manager of Financial Wisdom with the Commonwealth Bank, having over 20 years' experience in all facets of financial services. Attends East Lindfield Anglican Church. Board member since 2009.



The Rev Edward Brush, BTh, Dip Min

NSW/ACT Regional Officer for Bush Church Aid. Previously Rector Lower Mountains Parish and Archbishop's Ministry Chaplain. Has previously served on Board of Governors of the National Church Life Survey, Standing Committee Diocese of Sydney, Mission Board of the Standing Committee, Council of St Andrew's Cathedral School, Georges River Regional Council and Finance & Loans Board. Originally trained as an electrical engineer with extensive experience in supply chain management both in Australia and internationally. Board member since 2013.



Mr Andrew Stanley, BE, LLB, MAppFin, CA, FINSA

Head of Australian Equities, Ralton Asset Management. Over 20 years' experience in financial structuring/investment banking and funds management. Previously a member of Anglican Funds Committee, Melbourne. Member of C3 Church Mosman. Board member since 2014.



Ms Libby Hackett, BA (Oxon) - PPE, MA (Oxon)

Partner, Perrett Laver, Sydney, Over 20 years' experience working for government, parliament, universities and in private sector consultancy, including 10 years' experience at CEO and Director level. Previous roles include CEO of University Alliance UK, Director of Policy And Research Russell Group of Universities UK, Special Advisor Parliamentary Select Committee for Education and Skills UK, Senior Researcher and Deputy Director Higher Education Policy Institute UK, and Senior Policy Advisor of Higher Education Funding Council for England UK. Attends All Saints, Austinmer. Board member since March 2018.



Mr Ben Meikle, B Eng (Computer Systems), MBA

Associate Director at Macquarie Group Limited. His more than 25 years of experience in the IT industry has enabled him to develop a broad range of skills across people and project management, architecture, risk and compliance reporting with a number of financial institutions. He is currently working as the information architect for Macquarie's Banking and Financial Services division. Member of Cherrybrook Anglican Church. Board member since July 2018.



Ms Jennifer Yorath, BA (Syd), MBus (HRM) Dist, FAICD

Over 25 years' experience in human resources management; currently a senior global human resources practitioner for a large Australian biotech, in addition to leading their global change and transformation capability development. She has had experience in a range of industry sectors and has held both specialist and strategic commercial human resource roles. Her board experience includes 10 years on the Board of a major Sydney Anglican school, where she was a member of the Nominations Committee and chaired the Human Resources Committee. Member of St Alban's Anglican Church Lindfield. Board member since August 2018.

Mr Ross Smith resigned as chair and as a member with effect from 31 March 2018.



Access and Contact Details

The principal office of SDS is
Level 2, St Andrew's House,
Sydney Square.

Hours of access are between
8:30am and 5:30pm

Mail: PO Box Q190, QVB Post
Office, NSW 1230

Phone: (02) 9265 1555

Web: sds.asn.au