Special Session
of the 50th Synod

April 2016

Synod Proceedings

Anglican Church of Australia
Diocese of Sydney

Contents

Page

Presidential Address 2

Proceedings

Proceedings held in private 8
Documents tabled 8
Petitions 8
Reports tabled 8

Resolutions 8

Proposed merger of Anglicare and Anglican Retirement Villages: Report from the Standing Committee 9

Special Reports

Merger Considerations: *Better Together*: Joint report from the CEOs of Anglicare and Anglican Retirement Villages (Attachment 1)
Board selection and CEO recruitment: Report from the Archbishop and Mr Greg Hammond OAM (Attachment 2)

Archbishop's Presidential Address Special Session of Synod 2016

Members of Synod, brothers and sisters, saints of the Most High, welcome to this special session of the 50th Synod of the Diocese of Sydney.

As we gather together in the presence of God, I acknowledge the traditional owners of the land upon which we meet. In his wisdom and love, our heavenly Father gave this estate to the Gadigal people of the Eora Nation. Upon this land they met for generations until the coming of British settlers. As we continue to learn to live together on these ancestral lands, we acknowledge and pay our respects to their elders, past and present, and pray that God will unite us all in a knowledge of his Son, in whom all things were created, in heaven and on earth, whether visible or invisible—for all things have been created through him and for him.

Apart from Archbishop's elections (when everyone turns up!) it is fairly unusual to be summoned to a special session. I therefore thank all of you for taking the time to come out on this autumn evening to consider what I believe to be a matter of great significance for the life of our Diocese. I am also aware that the original date of tonight's session had to be changed for a number of reasons and I apologise for the inconvenience caused to many of you, and especially to those who were unable to attend due to previous commitments. Yet the matter that is before us tonight has the potential to increase our mission effectiveness in the Diocese, by combining the resources of two great organisations and maximising the expertise and commitment of their combined staff for the proclamation of Christ's love in word and deed for the growth of the kingdom of God. I am excited by this proposed merger and heartily commend it to the Synod.

When I became Archbishop I had an early conversation with Mr Grant Millard, CEO of Anglicare, about the duplication that existed across both Anglicare and Anglican Retirement Villages (ARV) in the provision of aged care services in our Diocese. Anglicare provided not only the residential aged care homes (commonly known as Chesalon Homes), including dementia units, but also retirement living for seniors at the new village in Oran Park and the delivery of home care services. ARV also provided retirement living for seniors, residential aged care homes, dementia units, home care services and most recently accommodation for people at risk of homelessness. We discussed some options. One obvious option was for Anglicare to divest itself of all aged care services and sell them to ARV. This seemed like an attractive option, which I know the then Chairman of ARV would have welcomed. It seemed such a sale would also provide an endowment for Anglicare to continue its mandate to provide for the needs of the aged, the poor and the socially disadvantaged, the most marginalised and vulnerable in our society, in partnership with our parishes, so that the love of Christ might continue to be expressed in word and deed.

I learned that Anglicare under both my immediate predecessor and Mr Millard's predecessor had sought to achieve the very same outcome in 2004. However, an analysis of the financial projections of such a transaction were demonstrably unsustainable for Anglicare and so the Anglicare Council did not proceed. This led in turn to their decision to develop Oran Park with their first retirement living village.

Mr Millard indicated to me that the only feasible way to eliminate the duplication, with the attendant overlap in requesting donations from Sydney Anglicans for the support of aged care services, and to strengthen the mission of Anglicare was for the two organisations to merge in some way. In late 2013 I approached the CEO of ARV, Mr Rob Freeman, and the then Chairman, Dr Allan Fife, together with the Deputy Chair of Anglicare, Dr David Wallace, to commence discussions. A small task force was selected from among the members of the Anglicare Council and the ARV Board to investigate the feasibility of the two organisations merging. By April 2014 the task force was well advanced with their work and I had briefed Standing Committee on the progress. However, though the Anglicare Council voted in favour of the proposal, in May 2014 the ARV Board declined to proceed 'at this time'. Nonetheless, Standing Committee set up a subcommittee to investigate further the merits of such a merger.

Members of Synod will be aware that Anglicare is celebrating its 160th anniversary since The Sydney Church Society, as it was then called, was established by Bishop Barker in 1856. My enterprising predecessor within a year of taking office had established not only Moore Theological College, but also St Catherine's Clergy Daughters' School in the same year. He saw the needs of a growing Sydney and the importance of theological education to supply locally trained ministers of the gospel for this expansion; he recognised that the education of the daughters of clergyman, as well as their sons, ought to be a priority; and he sought to find ways of promoting a home mission society (as it was later to be known) to bring the love of God into the life of the colony by word and deed. Anglicare today is no doubt larger than Frederic Barker envisaged, but its reputation as a provider of care in the name of Christ is well acknowledged not only by Anglicans, but also by the general public as well as our federal and state governments.

In 1959 Archbishop Mowll and his wife Dorothy developed a vision for Anglican Retirement Villages, including special provision for retired clergy. Over time, residential aged care homes developed and under God's good hand the current shape of ARV as a gospel-centred, Christ-honouring organisation in aged care services is a testimony to the vision of Howard and Dorothy Mowll.

Yet over the past 55 years of their operations, there was little, if any, collaboration between the two organisations. In fact it may not be an exaggeration to say that many of our diocesan organisations have tended to do their own thing, and fulfil their charter under their respective ordinances in isolation from each other and the broader mission of the Diocese. In this century, under the initiative of Archbishop Peter Jensen, the CEOs of diocesan organisations began meeting together with the episcopal leadership twice a year to learn from each other, to share with each other and to develop ways in which they could all participate in the Diocesan Mission. To the best of my knowledge, this had never happened before. Occasionally Dr Jensen also gathered the chairs of these organisations for the same purposes. In many ways the Diocesan Mission was the catalyst for these meetings, enabling our major organisations to see themselves as part of the Diocese and therefore part of the mission of the Diocese. In the case of both Anglicare and ARV, under the guiding hand of their respective CEOs at the time, we saw a closer alignment of both organisations with not only the Diocese but also the gospel of Christ.

Grant Millard and Rob Freeman have successfully built upon this legacy. From the middle of 2014, both CEOs began to look at ways of working together in their common objectives and their common commitment to Christ and his mission. The respective staff of their executive teams followed their lead and so conversations began and shared opportunities were explored and a new collaboration between Anglicare and ARV emerged. Much of this may have gone unnoticed by members of Synod and the Standing Committee, but changes were taking place in these two organisations that have brought us to this day where a renewed vision for a combined diocesan organisation to proclaim the love of Christ to the aged, the poor and the socially disadvantaged, the most marginalised and vulnerable in our society, now comes before us for consideration.

As you have read in the CEOs' report on *Merger Considerations*, in the two years since 2014, the landscape of aged care in Australia has dramatically changed. The future will see constraints placed on government funding of aged care services and development of the practice of consumer directed care. Users of aged care services will be required to pay more and will be given greater say in the way their services are delivered. From the beginning of next year the method of government funding for home care service delivery will be customer directed, rather than provider directed. This is a dramatic shift in social policy by the Commonwealth Government, which has significant ramifications for both organisations. New players are entering the field of aged care services. These are large, international, for-profit organisations who are growing at a rapid rate. Scale will be vital for growth: scale is the new criterion for survival.

As the two organisations fruitfully began to work together, it became more and more obvious that the merits of a merger were more and more compelling. So in mid-2015, the management of both organisations presented to their Council and Board respectively that the time had come to reconsider the option of a merger. Both governing bodies agreed and over the following six months the management teams collaborated in a joint work of research and due diligence, with financial projections and legal advice, so that by early 2016 both the Anglicare Council and the ARV Board had endorsed the merger. This in itself was a significant decision in the life of these two organisations, especially ARV which had been concentrating on aged care services, and whose charter as a public benevolent institution did not include a broad benevolence to all who are in need. This was a new step to take, and I am particularly pleased that, through rigorous debate and careful assessment of the risks, the ARV Board were willing to take this step.

The breadth of the benevolent activities currently undertaken by both organisations is expressed in the objects proposed to be included in the amended ARV Ordinance. It is important to note that Anglicare and ARV are both public benevolent institutions, entitled to significant tax and other concessions under current law, and we need to be mindful that any changes to their objects do not prejudice the PBI status of the merged organisation.

The Anglicare Council and the ARV Board are well aware of the risks of a merger. Would a new board be able to effectively govern such an organisation with significantly increased assets? Would Anglicare's traditional activity in the alleviation of the effects of ageing, poverty and social disadvantage in our society be adversely affected by the merger? Would the traditional focus on aged care services and retirement living in ARV be diminished? I have received petitions from a number of people expounding these fears. On the one hand, I was informed that the merger would swallow up Anglicare so that our ability to provide for the needs of the aged, the poor and the socially disadvantaged would be jeopardised. On the other hand, I was informed that the merger would reduce the focus on aged care services and retirement living and jeopardise the assets and lifestyle of seniors and aged care residents. While I recognised the sincerity of these concerns, they were voiced out of ignorance and fear, rather than being based on knowledge and faith. None of these correspondents had access to the documents that Synod members have, so gentle replies needed to be given. For Synod members, all of these questions and more have been answered by the material that was circulated to you earlier this month. Yet, if fear of the future had dominated the decision-making of Frederic Barker and Howard and Dorothy Mowll, then we would probably have had neither organisation in our midst today!

I shall not reiterate all the arguments for this merger proposal in this address, as I trust that you have all read the documents carefully, and nearly 200 members of Synod have taken the time to attend pre-Synod briefings in order to hear more and to have their questions answered. I do want you all to know that this proposal comes to the Synod with my full support.

Once the decision of both governing bodies was made known to the Standing Committee, the previously appointed subcommittee was enlarged and given the task of examining the proposal in depth. A legal subcommittee was also formed. I am grateful for the work of each subcommittee under the respective chairmanship of the Registrar and Chancellor, as they sought to come to grips in a short space of time all that the CEOs had been discovering over the previous two years and more. This subcommittee rightly needed to be convinced of the merits of the proposal so that they could make recommendations to the Standing Committee, who in turn would then make recommendations to the Synod. Of course, it would be within the mandate of Standing Committee to pass the legislation for this merger to occur, without involving the Synod. While this was considered a possibility, it quickly became apparent that the Synod needed to be involved in the decision.

First, because the Synod is the governing body of the Diocese and in matters of policy of this order and magnitude it is right and appropriate for the Synod, as stakeholders, to consider the merits of the proposal. Furthermore, there is much to be said for buy-in. We are a family. Both Anglicare and ARV are members of our family and we, through our individual and parochial donations, support the work of these two organisations because they provide the kinds of services that are beyond the reach of the local parish. For Synod to consider and approve of this merger would send a significant signal to all Anglicans in our Diocese that this is a good proposal, that we support it and we consider that the newly merged organisation is worthy of our continued prayerful and financial support as an agency which can reach the most marginalised and vulnerable in our society with the life-giving news of Jesus and the care that emanates from the love of God in Christ to a fallen world.

The due diligence of the Standing Committee was an essential component of what is being brought before the Synod. This took more time than we expected, and it was mainly for this reason that this session of the Synod was rescheduled. The Standing Committee needed to decide the exact nature of the proposal that would come before the Synod, and the form of that is in the motion on our Business Paper. I am very grateful for the Standing Committee's due diligence and pleased that they came to the same conclusion that the governing bodies and the management of both Anglicare and ARV had come to, namely, that now is the time to merge these great organisations so that our mission can be more effective, so that through a stronger and larger organisation we can improve the services we provide to the most marginalised and vulnerable in our society, and that through one merged organisation we can eliminate costs of duplication.

Of the many aspects of the proposal considered by the Standing Committee, four in particular were the focus of questions and debate.

1. The appropriate provision for Anglicare's liabilities

2. The continuation and enhancement of services to the socially disadvantaged

3. The name of the organisation

4. The composition of the new board.

These were all good questions and through the motion recommended by the Standing Committee, as amended where deemed appropriate, Synod is able to give expression to their agreement to the proposal before us. I touch on these four points as follows.

1. Members of Synod are no doubt aware that a number of survivors of sexual abuse in the Anglican Church have come forward to tell their story. Following the Wood Royal Commission in the 1990s, Archbishop Goodhew set up the framework for the Professional Standards Unit (PSU) to offer pastoral care and financial assistance for the pain and trauma suffered by these survivors of abuse. Counselling sessions were also offered, and if they wished, an apology from the Archbishop was given, expressed on behalf of the Diocese for the betrayal of trust they had experienced from church workers. Both Dr Peter Jensen and I have given a number of apologies over the past fifteen years.

Over its history Anglicare operated a number of children's homes, including Charlton Boys' Home. In addition when homes, operated by other diocesan organisations, such as the Church of England Homes, ceased operations Anglicare was vested with their assets and took on the task of meeting any ongoing liabilities and responsibilities. Regrettably in these homes many cases of sexual abuse had occurred. As such Anglicare, alongside the Diocese, set up a parallel scheme of pastoral care and assistance to address claims of abuse that have come to light from these institutions. For those homes not run by Anglicare, this has been a generous response. For although not legally responsible for the abuse that occurred, Anglicare recognised that with the receipt of the assets of the Church of England Homes, they also assumed the moral responsibility. Regardless of the present value of any of the home's assets, Anglicare has continued to honour its commitment to care for survivors of child sexual abuse in a thoroughly Christian and professional manner.

For legal reasons liabilities and obligations of an organisation cannot be transferred without consent. Thus, when the proposition of a merger between Anglicare and ARV was first mooted, the question was naturally raised as to how any future claims upon the merged organisation would be accommodated. Consistent with their fiduciary responsibilities, ARV Board members were rightly concerned to ensure that claims could be properly addressed, without putting the assets of ARV at risk, including the assets of elderly residents. The Anglicare Council and ARV Board therefore explored the question of an indemnity from ARV for Anglicare's liabilities so the position of survivors of child abuse could, as far as can be achieved in practice, be at least the same as if Anglicare had continued to operate in its own right. However, it was also recognised that any proposal which had either the appearance or the reality of seeking to quarantine assets from legitimate claims concerning child sexual abuse would be an improper avoidance of responsibility and a dereliction of our Christian duty.

It is therefore proposed that while ARV will agree to contribute an amount up to the enterprise market value of Anglicare at the time of the merger (indexed for inflation) to support the provision of care and assistance packages to those who have suffered child sexual abuse in the care of either Charlton Boys' Home or other institutions within Anglicare's orbit, the Standing Committee believes that the Synod should assume responsibility in the unlikely event that actual payments exceed that amount. Moreover, even if Anglicare and ARV did not merge, and the assets of Anglicare were not sufficient to meet the claims lodged against the organisation, then the Synod of the Diocese would have needed to accept liability for any shortfall.

However, from my perspective as Archbishop – and as the Chair of the Anglicare Council – this is a matter for the Diocese as a whole, not merely for one organisation. 'When one member of the body suffers we all suffer together; if one member is honoured, all rejoice together' (1 Corinthians 12:26). This is the principle behind the Professional Standards component of our parish cost recoveries, as we all need to be covered by the work of the PSU, and we need to support each other, even when a church worker has dishonoured Christ by unacceptable and at times criminal behaviour. We as a Diocese accept that where we have failed those in our care, we must make amends and take our share of the responsibility as a Diocese.

I raise this item at length because it has been a part of the discussions which have led us to this point, and which has shone a clearer light upon the responsibility of the Synod in relation to dealing properly with historic matters of child sexual abuse.

2. Not only the continuation of services to the socially disadvantaged, but the enhancement of those services, is a critical feature of the proposed new organisation and one that is close, I am sure, to the hearts of all of us. However, the answer given by Mr Millard to this question in your material is a salient one. The current provision of aged care services by Anglicare has not deflected the Council's determination to deliver community services within the Diocese. Yet it is also true, that if Anglicare were to continue as an independent entity, challenging decisions will face the Council as the future is less secure. A recent decision to withdraw Anglicare from the disability sector is a case in point, because of the change in federal funding and the regulatory environment surrounding the National Disability Insurance Scheme. A merged organisation provides a far more stable base from which the provision of services to the socially disadvantaged can continue and be strengthened.

3. The ordinance will provide for the legal name of the merged organisation, which will be the result of an amendment to the current ARV Ordinance. While legal names are not to be confused with brand names, Synod will, I hope, revisit the name suggested by Standing Committee, as Anglicare Community and Aged Care Services seems a little strange if not repetitive and suggests that aged care services are not part of community services. Personally, I regret the absence of the word 'Anglican' in the legal name, for this identifies who we are in a consistent fashion, as is the case in the vast majority of our ordinances. I also note that this is the unanimous view of the Anglicare Council, two of whose members will bring an amendment before the house. However, the choice of a brand name (or a suite of brand names), which is currently the status of the word 'Anglicare', unlike its legal name of 'Sydney Anglican Home Mission Society', will be a decision of the new board.

4. For us to get to this point in our deliberations, it was thought best that a new board needed to be chosen and ready to be in place, if the Synod approved the merger. With a proposed starting date of 1 July 2016, there will be a great deal to be done over the next two months. In preparation for this merger, a good amount has already been done, though of course the decision to merge rightly belongs to the Synod. It was suggested by the governing bodies of both Anglicare and ARV that the Archbishop should choose the chairman and that of a proposed nine member new board, three should be chosen from the current Anglicare Council, three from the current ARV Board and three other persons from neither of these bodies. I was delighted that Mr Greg Hammond OAM accepted my invitation to be the chairman-designate. Mr Hammond is a longstanding member of this Synod, with considerable experience in diocesan governance, a member of the GAB, whose legal and financial experience eminently suit him to this position. In consultation with an external firm of consultants, Mr Hammond and I selected the other eight members, in accordance with the Governance Policy of the Synod, with skills appropriate to the task ahead, including two clergy as well as other laypersons with formal theological training, an appropriate gender balance and a willingness expressed by each of them to sign the Statement of Belief. While Standing Committee has endorsed this initial composition, it considered that, in principle, there should be three clergy on the new board and one of these should be a rector. Although this provision would not come into effect until October 2017, at the first session of the next Synod, it has the unfortunate consequence that one of the initial members of the new board will have to retire without opportunity for re-election, although Standing Committee may not have been aware of this unintended consequence at the time of their decision. Of course, the composition and names of the Synod-elected members of the new board are in the hands of the Synod, that is, those who will be deemed to be elected by the Synod under the amending ordinance. From 2017, Synod will exercise its usual prerogative of filling vacancies on the board as they fall due.

I might add that we should be mindful of the effect of the decision of the governing bodies of both Anglicare and ARV with regard to the merger. When they voted for the proposal to merge, they effectively offered their resignation as Council or Board members. Likewise the Chairman of ARV and Deputy Chairman of Anglicare relinquished their offices, because they considered the benefits of this merger were greater than their own personal involvement in its governance. Not surprisingly, more members from both governing bodies offered to serve on the new board, but only three from each could be chosen. For those who have invested many years in governance, given of their energy and time to promote these two organisations we ought gratefully to thank them for their service and not discount the sacrifice that each of them has made. Furthermore, we should acknowledge and applaud the way in which each CEO has approached this merger. Neither of them has supported this venture with any security of their own position. Neither has indulged in self-promotion. There will be only one CEO of the merged organisation. It could be neither of them. The new board will make that decision after due diligence. When two dioceses have merged in our national Church, it is only possible when one see is vacant, because no bishop wishes to voluntarily relinquish office. When two parishes merge, it can only happen when one parish is vacant, for again, few clergy voluntarily relinquish their office. Yet here we have two men of honour and integrity, who have both served their respective organisations with distinction, and yet who have each surrendered their position, because they believe this merger is in the best interests of the Diocese, the best way to forward the mission of the Diocese and to reach the lost for the glory of God. We do well to remember the consequential pain that is associated with a merger. The same is true of each member of the executive staffs, where not all positons will be able to be accommodated. Indeed we should not be oblivious to the temporary pain that applies to all the staff of both organisations in the process of this merger.

I am very thankful that we are making our decision this evening in the knowledge that we are considering two strong organisations. Strong financially, strong in reputation and strong in the foundation of the love of Jesus Christ. I am grateful that we are able to look with confidence to the future and are able to plan that future from a position of strength. I am thankful for the 4,000 people who work at Anglicare and ARV and the many volunteers who contribute greatly to our mission. I am excited about the prospect of one formidable agency working alongside our parishes to share the gospel by word and deed.

In 20l14 we committed ourselves afresh, in prayerful dependence on the Holy Spirit, to glorify God and love our neighbour by proclaiming the Lord Jesus Christ, calling people to repent and living lives worthy of him. We addressed four priorities in Mission 2020, each with measurable goals linked to NCLS statistics, noting that this is the year we all participate in the National Church Life Survey. Our first priority is to reach the lost in our Diocese with the life-giving gospel of Christ, with specific emphasis upon mobilising more people to share Christ's love in word and deed. Our fourth priority is to respond to the changing face of our society, with specific emphasis on connecting with people over 60 years of age.

In the merger proposal before you tonight, we have these two priorities clearly addressed in the mission values of both Anglicare and ARV, and it is my prayer that we might pave the way so that a newly merged organisation will strengthen and enhance the opportunities for us to contribute to our vision of seeing Christ honoured as Lord and Saviour in every community.

Dr Glenn Davies

Archbishop of Sydney

27 April 2016

Proceedings

Proceedings held in private

The proceedings were held in private from the end of the opening Prayers.

Documents tabled

1. List of clergy summoned to the Synod and list of representatives
2. Copy of a document appointing a Commissary
3. Minute book of the Standing Committee

Petitions

There were no petitions received by the Synod.

Reports etc tabled

1. Merger Considerations: *Stronger Together*: Joint report from the CEOs of Anglicare and Anglican Retirement Villages
2. Board selection and CEO recruitment: Report from the Archbishop and Mr Greg Hammond
3. Proposed merger of Anglicare and Anglican Retirement Villages: Report from the Standing Committee (including draft ordinances)

Resolutions

1/16 Salvation in the name of Jesus Christ

That this Synod, noting with gratitude to God the great blessing of salvation in the name of Jesus Christ and

- that there is no other name under heaven given to mankind by which we must be saved;
- that the gospel is the power of God that brings salvation to everyone who believes; and
- that God calls all people to repent and believe,

acknowledges that it is our responsibility to give all people the opportunity to hear the call of God,

and calls on all Anglican organisations, schools and churches to ensure the home page of their website has a link to a simple presentation of the Gospel.

(Mr Paul Johnson 27/04/2016)

2/16 Approval of the merger of Anglicare and Anglican Retirement Villages

Synod, noting the report of the Standing Committee in relation to the proposed merger of Anglican Retirement Villages Diocese of Sydney (“ARV”) and Sydney Anglican Home Mission Society (“Anglicare”) together with accompanying draft ordinances and other documents in relation to the proposed merger received at this session, approves in principle the merger of these two organisations on the basis that –

(a) the indemnity provided by ARV to Anglicare is intended to ensure that survivors of child abuse have at least an equivalent level of recourse as if Anglicare had continued to operate in its own right,

(b) the merged organisation will actively aim to continue to deliver services provided by Anglicare and ARV to socially disadvantaged people at an enhanced level,

(c) the merged organisation will actively aim to continue the work undertaken by Anglicare with Aboriginal and Torres Strait Islander Peoples at an enhanced level,

(d) the merged organisation will actively aim to continue to alleviate necessitous circumstances through the provision of education at an enhanced level,

(e) the legal name of the merged organisation is “Anglican Community Services”,

(f) consideration is given to making provision in both the Anglicare and ARV constituting ordinances for a gift fund for both entities,

and requests the Standing Committee to pass such ordinances and take such other action it considers necessary or desirable to give effect to the merger on this basis.

(Bishop Chris Edwards 27/04/2016)

Proposed merger of Anglicare and Anglican Retirement Villages

(A report from the Standing Committee.)

Key Points

- A proposal to merge Sydney Anglican Home Mission Society ("Anglicare") and Anglican Retirement Villages ("ARV") will be considered at a special session of the Synod on 27 April 2016
- Having reviewed the alternatives to the merger proposal, the Standing Committee is satisfied that the merger proposal is the optimal way forward for Anglicare and ARV
- However the question of whether the merger proposal is also optimal for the broader Diocese is dependent on satisfactorily resolving a number of other key issues, particularly how Anglicare's obligations will be met following the merger and how welfare services will be maintained in a merged organisation

Purpose

1. The purpose of this report is to provide the Synod with information about the proposal to merge Sydney Anglican Home Mission Society ("Anglicare") and Anglican Retirement Villages ("ARV"), to inform the Synod about the Standing Committee's position on key aspects of the merger proposal and to recommend that the Synod approve the merger proposed on this basis.

Recommendations

2. Synod receive this report.

3. Synod pass the following motion to be moved "by request of the Standing Committee" –

> Synod, noting the report of the Standing Committee in relation to the proposed merger of Anglican Retirement Villages Diocese of Sydney ("ARV") and Sydney Anglican Home Mission Society ("Anglicare") together with accompanying draft ordinances and other documents in relation to the proposed merger received at this session, approves in principle the merger of these two organisations on the basis that –
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>
> (b) the merged organisation will actively aim to continue to deliver services provided by Anglicare and ARV to socially disadvantaged people at an enhanced level,
>
> (c) the merged organisation will actively aim to continue the work undertaken by Anglicare with Aboriginal people and Torres Strait Islanders at an enhanced level, and
>
> (d) consideration is given to extending the objects of the merged organisation to include the education of persons in necessitous circumstances,
>
> and requests the Standing Committee to pass such ordinances and take such other action it considers necessary or desirable to give effect to the merger on this basis.

Background

4. Initial discussions concerning the possible merger of Anglicare and ARV commenced about 2 years ago. In order to facilitate these discussions, the Standing Committee appointed a subcommittee in April 2014.

5. Although a merger proposal was not pursued at that time, the CEOs of ARV and Anglicare continued to discuss matters of mutual interest, including opportunities for their organisations to work more closely together.

6. In late 2015 the subcommittee was advised that the boards of Anglicare and ARV were again considering a proposal to merge with one another. At separate meetings held on 28 January 2016, each board recommended that their organisations merge with effect from 1 July 2016.

7. The subcommittee subsequently met with the CEOs of Anglicare and ARV on 1 February 2016 to consider the merger proposal and formed the view that there was sufficient reason for the proposal to be brought to the Standing Committee at its meeting on 15 February. In its report to the Standing Committee, the subcommittee noted that while it would be legally possible for the Standing Committee to take all

necessary steps to implement the proposed merger, it considered the significance of the matter warranted Synod approval before such steps were taken by the Standing Committee.

8. At its meeting on 15 February 2016, the Standing Committee received the report of the subcommittee and –

(a) supported the Archbishop convening both a special session of the Synod on 31 March 2016 to consider, and if thought fit, approve the proposed merger of ARV and Anglicare and a subsequent special meeting of the Standing Committee to pass relevant ordinances and take other action to give legal effect to the merger, and

(b) appointed a special ordinance review panel, chaired by Mr Michael Meek SC, to review and provide comment on the bills for ordinances and associated documentation being drafted by ARV's and Anglicare's legal advisors to give effect to the merger, and

(c) received a paper about the proposed merger jointly prepared by the CEOs of Anglicare and ARV and approved of a suitably revised form of the paper (as agreed by the Archbishop) being provided to members of the Synod, and

(d) reconstituted the subcommittee with a membership comprising Mr Doug Marr (subsequently appointed chair), Mr James Flavin, Dr Karin Sowada, Dr Robert Tong AM, Bishop Peter Hayward, Canon Phillip Colgan and the Rev Gavin Poole, and requested that the subcommittee continue to meet and report to the Standing Committee concerning the proposed merger, including arguments for and against the merger.

9. The subcommittee subsequently met on multiple occasions, including meetings with the CEOs, the Chair and Deputy Chair of ARV and Anglicare respectively and their advisors and meetings jointly with members of the special ordinance review panel. The special ordinance review panel has itself met on multiple occasions.

10. During this period, the subcommittee formed the view that the special session initially scheduled for 31 March 2016 should be postponed to a later date. This was partly to give the subcommittee and the Standing Committee sufficient time to form a view on key aspects of the merger proposal. It was also felt that Synod members would benefit from further time to consider the material concerning the merger proposal.

11. On 11 March 2016, the Archbishop agreed to postpone the special session until 27 April 2016. This was communicated by the Archbishop to Synod members in an emailed letter of 11 March 2016.

12. On 21 March and 4 April 2016, the Standing Committee considered a number of key issues in relation to the merger proposal. The key issues were identified by the subcommittee in the course of reviewing the merger proposal. The subcommittee was greatly helped in this process by the responsiveness and availability of ARV and Anglicare, particularly in view of the constrained timeframes in which the subcommittee had to complete its work.

13. The key issues which emerged from this process are –

- Is merger the best way forward?
- How will Anglicare's obligations be met following the merger?
- How will welfare services be maintained in a merged organisation?
- How will a merged organisation continue Anglicare's work with Aboriginal people and Torres Strait Islanders?
- Should a merged organisation include as one of its objects the education of persons in necessitous circumstances?
- What is an appropriate composition of the board for a merged organisation?
- What steps need to be taken to recruit and appoint the CEO of a merged organisation?
- How will a merged organisation maintain and promote a Christian culture?
- What are appropriate legal and trading names for a merged organisation?

14. These issues have, to varying degrees, been addressed in initial information provided to Synod members about the merger on 23 March. This initial information comprised a paper prepared jointly by the CEOs of Anglicare and ARV (the "joint CEOs' report") and a report from the Archbishop and the Chair-designate of the merged organisation, Mr Greg Hammond OAM, about board membership and recruitment of a CEO.

15. Pre-Synod briefings about the merger were conducted on 29, 30 and 31 March 2016 at Parramatta, Wollongong and the Chapter House respectively. The briefings were attended by 172 members and gave an opportunity to ask the CEOs of Anglicare and ARV questions about the merger.

16. This report sets out –
    (a) the Standing Committee's views of each of the key issues referred to above,
    (b) supplementary information from Anglicare and ARV about specific aspects of the merger proposal in the form of questions and answers (Attachment 1),
    (c) summaries of the questions asked and the answers given at each pre-Synod briefing (Attachment 2), and
    (d) the latest drafts of ordinances proposed to be passed by the Standing Committee to give legal effect to the merger (Attachment 3).

17. In most cases, the Standing Committee's position on each of the key issues is essentially the same as the position taken by Anglicare and ARV. However there are some differences which are highlighted in the discussion.

18. In this report, the terms "welfare work" and "welfare services" are used interchangeably to describe services provided to socially disadvantaged people.

Is merger the best way forward?

19. A significant concern of the Standing Committee was to ensure that sufficient information was presented to the Synod to give assurance that alternatives to the merger proposal had been properly considered by ARV and Anglicare and had been shown to be less desirable than the merger proposal.

20. During the course of its work, the subcommittee identified and explored with ARV and Anglicare a range of alternatives to the merger proposal. These included the possibility of pursuing an enhanced shared services arrangement between ARV and Anglicare without the need for a full merger.

21. After receiving an initial response from ARV and Anglicare on these alternatives, the subcommittee sought more detailed information concerning the following two alternatives –

- Sell Anglicare's aged care assets to ARV (or a third party) and use the sale proceeds to fund the welfare work of a continuing Anglicare
- Do not proceed with any merger or sale (and demonstrate why this is unsustainable for Anglicare)

22. The Standing Committee accepts that the second of these alternatives, namely "doing nothing", is not a real option. However the Standing Committee nonetheless considered it important to present financial and other relevant information to Synod to clearly demonstrate this.

23. Although some information about these alternatives has been included in the joint CEOs' report (see pages 18 to 20), the Standing Committee felt that supplementary information concerning these alternatives, including appropriate financial analysis, should be provided to the Synod. For example, the Standing Committee considered it necessary to confirm that the net cash value of $35 million given in a 2014 Deloitte valuation of Anglicare's aged care assets has not increased to a point that selling those assets and using the sale proceeds to fund the welfare work of a continuing Anglicare becomes a sustainable option.

24. Supplementary information from the CEOs of Anglicare and ARV about whether the merger is the best way forward is set out in the form of questions and answers in Attachment 1.

25. Having regard to this information, the Standing Committee is satisfied that the merger proposal is the optimal way forward for the two organisations. However it considered that the question of whether the merger proposal is also optimal for the broader Diocesan network would be dependent on satisfactory resolution of the other previously mentioned key issues, particularly how Anglicare's obligations will be met following the merger and how welfare services will be maintained in a merged organisation.

How will Anglicare's obligations be met following the merger?

26. The Standing Committee spent considerable time considering how the actual and contingent liabilities of Anglicare following the merger (including for child abuse claims) should be met.

27. In considering this matter the Standing Committee noted with appreciation Anglicare's commitment to its pastoral care and assistance for former residents of Children's Homes run by Anglicare in the past, or run by other organisations for which Anglicare has since taken responsibility. It also noted that, to date, Anglicare has been able to fund claims out of its own resources without detriment to other activities.

28. The position proposed by ARV and Anglicare which has been accepted by the Standing Committee is that, following the merger, ARV will meet all actual and contingent liabilities of the continuing Anglicare body corporate, including claims made under the pastoral care and assistance scheme operated by

Anglicare, up to an amount calculated by reference to the enterprise value of Anglicare as at the date of merger (with increases by an appropriate indexation factor).

29. The Standing Committee considers it is appropriate that this arrangement extends to meeting –

(a) the liabilities of the continuing Church of England Homes and Anglican Counselling Centre bodies corporate (being diocesan bodies which were merged with Anglicare in 1984 and 2000 respectively), and

(b) any legitimate obligations arising from claims associated with the welfare of children in homes or organisations which have ceased to operate and where the residual net assets of such homes or organisations were vested in the Anglicare, Church of England Homes or Anglican Counselling Centre bodies corporate.

30. The key outcome sought in this approach is to ensure that the position of survivors of child abuse is, as far as can be achieved in practice, at least the same as if Anglicare had continued to operate in its own right. This is reflected in the form of motion to be moved at the Synod by request of the Standing Committee.

31. As indicated in the joint CEOs' paper (page 27), there are reasonable grounds for believing that the available amount under this arrangement to meet future child abuse claims will be a significant multiple of the amount actually needed to meet those claims. Beyond the commitment provided by ARV, the Standing Committee's position is that the structures of the Diocese and diocesan organisations should not be an impediment to meeting legitimate obligations associated with the continuing Anglicare body corporate, particularly those arising from historic child abuse claims.

32. It is proposed that the Standing Committee receive annual reports on a confidential basis on the payments made by ARV to, or on behalf of, Anglicare under this arrangement and payments made by, or on behalf of, Anglicare for pastoral care and assistance and similar items.

How will welfare services be maintained in a merged organisation?

33. A further significant key issue is how an appropriate level of assurance can be provided to the Synod that the merged organisation will continue to support the delivery of welfare services into the longer term. The particular concern was that, despite best intentions, the dominant position of aged care services under the merged organisation would, over time, cause the provision of welfare services to "wither on the vine".

34. In response to Standing Committee's concern, Anglicare and ARV have agreed that special provision should be made in the constituting ordinance of the merged organisation to require annual reporting to Synod against each object of the merged organisation, including its welfare object, and that the Standing Committee should be consulted at least annually about the business plan of the merged organisation in delivering its welfare services. The CEOs of Anglicare and ARV have also provided further information about how welfare services will be maintained in the merged organisation. This is included in the form of questions and answers in Attachment 1.

35. Additionally, the form of motion to be moved at Synod by request of the Standing Committee specifically addresses this issue.

36. The Standing Committee is satisfied that these arrangements give adequate synodical expression to and oversight of the on-going delivery of welfare services under a merged organisation and is therefore able to recommend the merger to Synod on this basis.

How will a merged organisation continue Anglicare's work with Aboriginal people and Torres Strait Islanders?

Should a merged organisation include as one of its objects the education of persons in necessitous circumstances?

37. The Standing Committee considers it important to ensure that the work currently undertaken by Anglicare with Aboriginal people and Torres Strait Islanders is continued and even enhanced under the merged organisation. The Standing Committee also believes that engagement of the merged organisation with *Mission 2020* would be enhanced by ensuring that its benevolent work includes educating persons in necessitous circumstances. The form of the motion to be moved at Synod by request of the Standing Committee specifically addresses these issues.

What is an appropriate composition of the board for a merged organisation?

Initial composition

38. It is proposed that under transitional provisions for the merger, the following persons suggested by the Archbishop be named as the initial board of the merged organisation –

- 3 “Synod elected” members from existing members of the ARV Board elected by the Synod or appointed by the Archbishop (Bishop Chris Edwards, Mrs Laura Elder, Mr Ian Steward)
- 3 “Synod elected” members from existing members of the Anglicare Council elected by the Synod or appointed by the Archbishop (Mr Michael Clancy, Mr Martyn Mitchell, the Rev Dr Margaret Powell)
- 3 persons nominated by the Archbishop (Mr Greg Hammond OAM (proposed Chair), Mr Peter Hicks, Dr Linda Kurti).

39. The willingness of each of these persons to serve in this way is subject to the final form of the merger, assuming a merger is approved by the Synod.

40. To this group could be added up to 2 persons appointed by the board itself.

41. The Archbishop is proposed to be the non-member President of the merged organisation (as is currently his role in ARV) in accordance with the Synod’s Governance Policy.

42. The Standing Committee considers that the names and initial terms of office for these persons (other than board appointed members) should be specified in transitional provisions for the relevant merger ordinance to give certainty on membership ahead of the merger taking effect. This has relevance, for example, in taking early action in recruiting a new CEO for the merged organisation (see below).

43. It is also proposed that transitional provisions for the merger should provide that 2 “Synod elected” members and one member appointed by the Archbishop be the first retirements for the new board occurring in October 2017.

On-going membership on the board

44. From October 2017, it is proposed that the board of the merged organisation comprise 3 clergy elected by the Synod (with at least one being a rector), 3 lay persons elected by the Synod, up to 3 members appointed by the Archbishop and up to 2 members appointed by the board. This comprises a total membership of up to 11.

45. The Standing Committee considers that the on-going board membership should include at least 3 clergy. This would be consistent with the Synod’s Governance Policy which provides that boards of such organisations should include “at least 2 clergy or other members with formal theological training”. The Standing Committee considers that this organisation, perhaps more than many other diocesan organisations, needs theological leadership.

46. The Standing Committee noted that, although the proposed names of the initial board include two clergy, there was no rector. The Standing Committee considers that the merged organisation needs to engage well with parishes and therefore from October 2017 there should be a requirement that at least one of the clergy elected by the Synod be a rector.

What steps need to be taken to recruit and appoint the CEO of a merged organisation?

47. The Standing Committee notes that preliminary steps are already being taken to identify and recruit a new CEO for the merged organisation. The Standing Committee considers that any such steps should not undermine the need for the appointment of a CEO for the merged organisation to be a genuine board appointment.

48. The Standing Committee notes in a paper prepared by the Archbishop and the proposed chairman of the new board, Mr Greg Hammond OAM, that assuming the Synod approves the merger, the proposed members of the new board intend meeting together informally to have input into the recruitment process.

49. The Standing Committee believes these arrangements are satisfactory. However it understands that the actual appointment of the new CEO will only be made after the members of the new board formally take office. Accordingly, the ordinance for the merged organisation will provide for the appointment of the new CEO by the board (as is currently the case under the ARV Constituting Ordinance).

How will a merged organisation maintain and promote a Christian culture?

50. The Standing Committee notes that the boards and CEOs of Anglicare and ARV are both committed to establishing and maintaining a Christian culture in their respective organisations, and expects this commitment will continue with the board and CEO of the merged organisation. Despite the considerable challenges, the Standing Committee considers that ensuring a Christian culture permeates throughout the whole organisation will be essential for the merged organisation to genuinely contribute to the mission of the Diocese, currently expressed in *Mission 2020*.

What are appropriate legal and trading names for a merged organisation?

51. The Standing Committee acknowledges that a decision as to the trading name of the merged organisation is essentially a matter for the board.

52. However the Standing Committee considers there are strong reasons for maintaining the "Anglicare" brand. Further, it is not convinced that the position taken by other parts of the Anglicare network on issues of current controversy (e.g., same-sex marriage) is sufficient reason to rule out the use of the "Anglicare" brand for the merged organisation. Neither was the Standing Committee convinced that the concept of "care" was inappropriate despite the views of some that the concept of "care" was increasingly seen as patronising.

53. The Standing Committee felt that until a decision has been made on the branding of the merged organisation, it would be premature to discontinue the use of the name "Anglicare". Accordingly the Standing Committee considered it would be appropriate to amend the legal name of the merged organisation under the relevant ordinance, perhaps just for interim purposes, to "Anglicare Community and Aged Care Services Diocese of Sydney". This is also a way of addressing perceptions that ongoing welfare services (not associated with aged care) may diminish over time.

Membership of continuing Anglicare body corporate

54. There is a need to make provision for the membership of the continuing Anglicare body corporate (and therefore also of the Church of England Homes and Anglican Counselling Centre bodies corporate). Unless specific provision is made, the existing members of the Anglicare Council will continue to hold office.

55. The Standing Committee recognises the technical/legal argument that, in terms of managing the indemnity given by the merged organisation to Anglicare to cover its ongoing and historic liabilities, there could be a conflict of interest if the members of the ongoing Anglicare body corporate were the same as the members of the merged organisation. However the Standing Committee considers there would be a real difficulty in identifying persons who were willing to serve as members of the on-going Anglicare body corporate on a stand-alone basis.

56. Despite the technical argument, the Standing Committee considers that the most practical solution to dealing with this issue is that the membership of the continuing Anglicare body corporate should be the same as the membership of the merged organisation from time to time. This approach in establishing "mirror" board membership has been adopted for previous mergers and currently applies without apparent great difficulty to a number of diocesan boards, including Anglicare.

Ordinances to give effect to the merger

57. The latest drafts of ordinances proposed to give effect to the merger are set out in Attachment 3. It is proposed that the Standing Committee pass a suitable form of such ordinances at a meeting following the special session.

For and on behalf of the Standing Committee.

ROBERT WICKS
Diocesan Secretary

7 April 2016

Supplementary information from ARV and Anglicare concerning merger proposal

Question		Answer
Structure/sale issues		
1.	**Where will the cost savings and revenue growth come from with the merger? Which of these savings fails to eventuate if only the Anglicare aged care assets are sold to ARV?**	Information regarding cost savings from the merger are detailed on pages 13 and 14 of the *Merger Considerations* document. The most significant saving will result from the merged organisation requiring about 50 fewer positions in support functions, although many of these will occur as a result of natural attrition over the course of the 18 month merger integration phase (p.13). Forecast growth in EBITDA in the first four years post-merger, detailed on pages 24 and 25, results from continuing current programs at ARV and Anglicare and synergies available from the merger. Not only would most of these savings and increases in revenue not occur at the same rate if Anglicare just sold its aged care assets to ARV, but the net impact of such a sale would put Anglicare into a sustained loss making situation in future years (p.20).
2.	**May we have a breakdown on the types of facilities within Anglicare's aged care portfolio, based on:** **(a) Shared room vs private room?** **(b) Ensuite vs shared bathroom?** **(c) Age of each facility and time since last refurbishment?**	See *Appendix 1*.
3.	**In the last three years has Anglicare been approached by external parties interested in securing its aged care assets?**	No.
4.	**Is it likely that the value of Anglicare's aged care assets has increased since the 2014 Deloitte's valuation of $35M (page 20 of the joint CEOs' report)? If so, how can we be sure that the sale of such assets now and the use of sale proceeds to fund a continuing Anglicare is not preferable to a merger?**	The value of Anglicare's aged care assets are unlikely to have increased to a level that makes this option any more viable in 2016 (p.20).

Question	Answer
5. In the consolidated statements on page 32 of the joint CEOs' report can we get a breakdown of income and expenditure divided between aged care services and welfare services (for each of the areas covered by the statements)?	This question is addressed in the material provided in *Appendix 2 - Options other than a merger*, which splits out welfare from aged care in a scenario in which Anglicare sells its aged care assets to ARV and no merger takes place.
6. What does ARV believe is its optimal size for residential aged care operations? How does this compare to the industry's view (see page 12 of the joint CEOs' report)?	In residential care scale contributes to achieving efficiency and enables the pursuit of quality and innovation. However ARV has not identified an "optimal size" for its residential aged care operations as it does not consider the notion of an "optimal size" to be necessarily helpful. It is more so the quality of ARV's service offering and the organisation's ability to adapt to meet changing conditions – both externally and from within - that tends to drive its effectiveness. ARV regards residential aged care as an important element in the suite of services it provides to ensure older people have the full range of care and service they may need throughout their life. Although for the purposes of financial management residential care is segregated as a distinct business unit, it is better viewed as an element of the services offered in this integrated continuum of care As the ARV village network expands, ideally each retirement living village would have residential care co-located within it. Anglicare currently has a number of stand-alone residential care homes and a merged organisation would seek to ensure these homes are integrated into the wider network of services provided in an effective manner. Page 12 of *Merger Considerations* details the benefits of scale. The merged organisation will have sufficient scale to realise these benefits and has strong prospects of thriving in the increasingly competitive environment.
7. Have shared services arrangements between Anglicare and ARV as an alternative to merger been explored? If so, what are the reasons why this is not considered a better alternative to merger?	Yes. Shared services alone would not achieve the same benefits of mission, scale and streamlining costs as a merger would achieve.

Question	Answer
Welfare Services	
8. How will the Anglicare welfare services be maintained and strengthened in the new organisation?	A key feature of the merged organisation will be its ability to carry forward the legacy of over a century of aged care and non-aged care community service delivery in a way that addresses the specific challenges and needs of Greater Sydney in the coming decades. The current scope of community services will continue although it should be recognised that Anglicare periodically conducts strategic assessments of each of its service lines based on parameters of capability, community need and ministry effectiveness. This process is envisaged to be a necessary attribute to conducting services that are tailored to meet needs, achieve transformational outcomes and be affordable to deliver. However, a merged organisation with a more streamlined support structure will provide a competitive edge for community services, particularly in the area of competitive tendering for government contracts (p.21). In addition, the future income streams for self-funded programs will enable the merged organisation to address emerging needs among the vulnerable and the marginalised (see answer to Question 12).
9. In addition to fundraising, legacies and investment income mentioned on p. 25 of the Merger document, will additional financial support be provided by the merged entity to supporting and growing welfare services?	Page 25 of *Merger Considerations* explains that with fund raising and legacies directed to unfunded services and an income stream from investments set aside for unfunded services there is significant scope to develop new programs and to address emerging needs among the vulnerable and marginalised.
10. What are the 'financial forecasts' mentioned on p. 25 of the Merger document that show that there is scope to develop new programs? What kind of new programs are envisaged?	The 'financial forecasts' mentioned on page 25 include the Pro-forma Financials 2017-2020 at page 31 of the *Merger Considerations* paper. The sorts of new programs envisaged include accommodation and service for vulnerable people, at risk of homelessness crisis accommodation, day and overnight centres (p.24).
11. Apart from lowering the back-office cost base and reducing duplication of resources, how will the merged organisation benefit from 'scale' in welfare service delivery? Is there an optimal size the new entity is aiming for?	Increased scale means that there is a much better prospect of thriving in the increasingly competitive environment. • Scale means greater capability at board and executive levels • Scale increases capability to invest in systems needed to compete effectively • Scale means more opportunities to be innovative in service delivery • Scale means higher capability in support functions such as quality, learning and development and recruitment • Scale increases the capital base for growth and renewal (p.12)

Question	Answer
12. Will the new entity seek to deliver more community services through government contracts or do less in that area by focusing on unfunded services? What are the welfare practice area(s) outside chaplaincy, emergency support, disaster relief, research/ advocacy that the new entity will seek to grow, e.g., refugees, foster care etc.?	A merged organisation with a more streamlined support structure will provide a competitive edge for community services, particularly in the area of competitive tendering for government contracts (p.21). This will mean that the merged organisation should be more successful in securing the tenders it applies for, and is able to apply for more government contracts than Anglicare alone has been able to do. The sorts of new programs the merged organisation would seek to grow include accommodation and service for vulnerable people, at risk of homelessness crisis accommodation, day and overnight centres (p.24).
13. Will there be a dedicated Anglicare/community services executive leader in senior management as a direct report to the new CEO?	Yes.
14. Will Anglicare's current chaplaincy services be merged with ARV chaplaincy? Will it result in fewer Anglicare chaplains servicing hospitals and prisons?	Yes, Anglicare's current chaplaincy services will be merged with ARV chaplaincy. No, it will not it result in fewer Anglicare chaplains servicing hospitals and prisons.
Miscellaneous	
15. Noting comments made at pp10-11 of the joint CEOs' report, why does merger mean we are better placed to partner with parishes? The individual units of Anglicare/ARV are still the same and the parishes are still the same. There is no change in resources available to parishes in terms of outreach centres.	As outlined on pages 10 and 11 of *Merger Considerations*: • The breadth of service offer means a significant presence for the merged organisation in local communities so that it will be better resourced to work alongside churches as we respond to the changing face of society in Sydney and the Illawarra; • The geographical spread of operations means that many partnerships with parishes can be developed and implemented for new and innovative ways to reach into the community – right across the Diocese; and • The strong financial base of the merged organisation underwrites ministry capability and services, giving confidence that chaplaincy and pastoral care remains an essential service and not constrained financially. Ultimately, parish partnerships will involve the experience and capability of the merged organisation working to equip and enable parishes to better identify need in their communities (material, relational and spiritual) and then prayerfully and practically reach out to meet those needs.

Question	Answer
16. Why not transfer ARV operations and assets to the Anglicare entity, which avoids having to create the somewhat complex indexed indemnity?	All potential options were considered very closely and with the necessary legal advice: ARV into Anglicare; Anglicare into ARV; or the creation of a new organisation altogether. The proposed method (Anglicare into ARV) was primarily chosen due to the much lower number of land holdings that would need to be conveyed under a merger of Anglicare into ARV than would have been the case in the reverse direction or if a third legal entity was formed. It was also considered at the time that the notification requirements for ARV's many residents who have licences and leases would be more complex than for the loan/licence arrangement utilised by Anglicare in its only retirement village, which was considered to be a simpler arrangement to transfer under a merger. The indemnity approach is designed to ensure that the position of victims of abuse is, as far as can be achieved in practice, the same as if Anglicare had continued to operate in its own right. The alternative approach of merging ARV into Anglicare, or the creation of a new organisation, has some related difficulties of not prejudicing the legitimate rights of ARV residents as creditors and was considered too complex to implement in structuring some preferred creditor arrangements.
17. What consideration has been given to bringing together the distinctive cultures of ARV and Anglicare? What steps have been taken to mitigate against the risk that the cultures will be incompatible?	A merger risk register and assessment has been prepared that identifies the issue of cultural integration. Controls for risk mitigation have been identified as follows: • Board oversight of the merger integration program • Establishment of a Merger Program office • Clarity at the time of merger on key areas such as branding, vision/mission/values and organisational structure • A comprehensive communications plan, including feedback loops with staff and stakeholders using consistent messaging • Training in change management and effective communications • Disciplined timetables and outcome measures (p.26)
18. Will the Anglicare head office close and move to an ARV site as part of cost-cutting?	Regardless of the merger, the Anglicare head office at Parramatta will need to be vacated by the end of 2016. A project to identify a suitable, head office for the merged organisation is currently underway.

Question	Answer
19. As part of the integration will ARV and Anglicare parish relationships be merged?	Yes.
20. Are there any plans to fold in the parish-based Anglican Aid Community Aid and Development Program (CCDP) into the merged entity? If not why not?	No. This is outside of the scope of the current, proposed merger.
21. How will the internal Christian culture of the merged entity be maintained and strengthened? Apart from the CEO, where will management responsibility lie for oversight of this?	Both Anglicare and ARV preference the employment of Christians, especially in management roles, and this practice will continue to be a fundamental aspect of employment decisions (p.10). Recent work on the proposed purpose of the merged organisation shows the extent to which the activities that come together have a common foundation – that all we do is governed by our purpose to be compassionate and to share the love of Jesus (p.16). As with all diocesan organisations the internal Christian culture of the merged organisation will be shaped and led by the board, the CEO and senior management.

Appendix 1 – Anglicare's Residential Aged Care Facilities

2. May we have a breakdown on the types of facilities within Anglicare's aged care portfolio, based on:
   (a) Shared room vs private room?
   (b) Ensuite vs shared bathroom?
   (c) Age of each facility and time since last refurbishment?

Facility	Floors	Beds	Double (shared Bathroom)	Single (shared bathroom)	SINGLE (Ensuite)	Extra Services	Dementia unit	Built	Last Refurbishment
Nowra	1	64	32	20	0	0	12	2002	2015*
Woonona	1	60	24	26	0	0	10	1999	2015*
Beecroft	3	77	52	25	0	0	0	1958	2008, 2015*
Jannali	4	127	14	0	68	30	15	2009	2015*
Richmond	1	60	38	12	0	0	10	2001	2015*
Malabar	2	62	26	4	0	32	0	2011	2015*

* Installation of fire sprinkler systems

Appendix 2 – Options other than a merger

Financial year Financial units	FY16 $m	Pro Forma Status Quo $m	Sale $m
Income Statement			
INCOME			
Resident + Client Fees	19.1	22.8	9.1
Accommodation	3.2	3.7	-
Subsidies	79.2	65.8	32.7
Lease DMF income	1.1	1.8	-
Other	1.7	0.3	0.3
Total income	**104.2**	**94.3**	**42.1**
EXPENDITURE			
Salaries & wages	(70.0)	(67.2)	(33.0)
Operations	(36.1)	(31.1)	(18.4)
Depreciation	(6.1)	(7.5)	(2.8)
Total expenditure	**(112.2)**	**(105.9)**	**(54.2)**
Gross Profit	**(8.0)**	**(11.5)**	**(12.1)**
OTHER INCOME & CHARGES			
Legacies/Fundraising	5.4	5.4	5.4
Investment returns	5.3	6.3	9.6
Capital grants and gain on disposal of assets	-	-	-
Total other income & charges	**10.7**	**11.7**	**15.0**
Operating surplus/deficit	**2.7**	**0.2**	**2.9**
Less investment earnings reinvested for inflation	(1.6)	(1.6)	(4.9)
Net result	**1.1**	**(1.4)**	**(2.0)**

This appendix addresses two alternatives for Anglicare rather than a merger with ARV;

i. continuation of the existing operations (*Status Quo*); and

ii. the sale of the aged care and retirement living assets with the investment of the proceeds to provide an income stream for community services (*Sale*).

Set out below are high level pro forma indicative forecasts for the *Status Quo* and *Sale* alternatives, based upon the Pro Forma FY16 results set out on page 32 of the Merger Considerations paper. These include overlays for known and expected changes in the operations, as well as the effects of the sale of the aged care and retirement living assets (in the *Sale* alternative).

It should be noted that these present the expected, underlying, long run financial performance and consequently remove expected one off or short term impacts. These forecasts are therefore not necessarily reflective of the operations in 2016/2017. It is not possible to regard these as forecasts of actual performance as the circumstances and assumptions on which they are based may be different.

In a stand-alone position, Anglicare would need to continue its present policy to ensure that some investment earnings are reinvested in order to provide for the impact of inflation. This has been included in the above table. This would not be an issue in the merged entity as the wider property portfolio would tend to increase in a manner broadly consistent with inflation.

The major matters reflected in the *Status Quo* and *Sale* alternatives are:

Status Quo

1. "Normalisation" of investment income to remove the impact of the market volatility in Pro Forma FY16 and reflect expected average long run rates of return on investments;

2. Completion (in 2020) of the next stages of the retirement living and aged care facility at Oran Park, increasing government and client & resident income, as well as operating expenses and depreciation;

3. Reduction in government income following the planned cessation of disability services as a consequence of the NDIS, as Anglicare seeks to concentrate on areas where it has greater capability;
4. Reduction in income and associated expenses from the operation of the HomeCare operations. With its high cost structure and lack of scale to invest in systems and technology, Anglicare will be unable to compete with others for the provision of these services once in a competitive marketplace in February 2017;
5. Expected reduction in the amount which Anglicare can charge government funded programs to cover overheads and support costs, in accordance with government statements.

Sale

In addition to the 5 matters above, the *Sale* alternative includes the assumption of the sale of the aged care and retirement living assets for $35m (plus the resident liabilities which would be assumed by a purchaser), in accordance with an independent valuation of those assets in 2014.

The sale is assumed to result in the removal of government and client income from the operation of the aged care and retirement living, together with the associated expenses, with an increase in investment income. There is also a large reduction in central costs assumed, in order to reduce the back office capability to a level sufficient to support only the remaining operations.

In the *Sale* alternative, Anglicare would have much greater reliance on the (larger) investment portfolio rather than the aged care operations to generate funds. Accordingly, the amount necessarily reinvested from the investment returns would need to be higher in order that the delivery capability of Anglicare can be preserved for future generations.

Conclusions

The *Status Quo* and *Sale* alternatives would generate a deficit of funds of $1.4m and $2.0m per annum respectively after providing for the impact of inflation on the investments. In both alternatives there would not be sufficient funds available to undertake the continuing operations, as well as longer term capital expenditure requirements or investments in system improvements or increases in capacity. Anglicare would be more exposed to the volatility of legacies and bequests to fund operations, rather than preserving these to fund sustainable ministries over time. In essence Anglicare would under either scenario be left as a shadow of its former self.

Meeting that shortfall in the *Sale* alternative would require a sale price for the aged care and retirement living assets of approximately twice the 2014 valuation. Recent indications from the independent valuer, based on their research conducted for Anglicare, indicates that market valuations in the same period may have increased by no more than 10% to 15%. Accordingly it is not considered possible that a sale of the assets would generate a sufficiently large increase in Anglicare's investment portfolio to sustainably fund the continuing operations.

Attachment 2

Summaries of questions asked and answers give at pre-Synod briefings

Parramatta – Tuesday 29 March 2016

1. **What will happen if Synod says "no"?**

   There will need to be some structural changes anyway.

   Standing Committee may be required to consider and address any specific points of concern as part of implementing and responding to those structural changes.

2. **What is the age (range, average and statistical spread) of Anglicare clients?**

   Cradle to grave, eg., out-of-home care includes the very young. 60% of revenue is aged care related. Some services (eg., family assistance) require little infrastructure and provide infrequent contact, some require a lot of infrastructure and intensive contact (eg., nursing homes).

3. **Is it true that Anglicare is focussed on providing welfare/support services whereas ARV is more resource/asset based?**

   That is true as a generalisation, but there is a great deal of underlying commonality.

4. **What proportion of Anglicare's revenue comes from the Government? How does that compare with ARV? Will Anglicare's (Government-dependent) revenue be affected by a merger?**

   72%, although that is in fact lower than other Anglicare organisations (compared with about 50% for ARV). Government revenue should not be impacted by merger.

5. **Do the Government funding changes point to a need for our organisations to specialise and/or change focus? Will the merger affect the range of services offered?**

   Government pressure and competition will force efficiencies, but greater scale will deliver capacity, capability and flexibility to be more effective across the whole range of services.

6. **Given the Government funding pressures and the relative dominance of aged care, how will the merged organisation be able to maintain non-aged care welfare services?**

   The merger will deliver efficiencies and that will create opportunities to grow and expand services consistent with the mission objectives of the organisation.

7. **Will the proposed changes (to the delivery and funding of welfare) in Australia be similar to those introduced in the UK?**

   There are similarities (opening to competition drives efficiencies) and differences (Australia has a bigger and more responsive NFP sector).

8. **Why not just sell Anglicare's aged care business to ARV and use the proceeds to fund welfare?**

   The value of that business is not enough to produce an income stream to fund the other operations.

9. **How strong and/or valuable is the relationship with Anglicare Australia? Will a merger put this at risk?**

   There are tensions and points of difference (a bit like the Anglican Church) but the benefits of increased profile, presence and political access more than compensate for the cost of membership and in-kind contribution. A merged organisation would enhance our impact nationally.

10. **What will a merger mean for Anglicare's pastoral ministries (prison and hospital chaplaincies, ESL, etc)?**

    The opportunities for all these ministries would be expanded.

11. How will a merged organisation be able to maintain the level of targeted donations Anglicare has been receiving?

Will require active engagement to explain continuing need, and build partnerships but really the merger is about good stewardship.

12. What challenges would a merged organisation face and how will they be addressed (eg., donor drop-off, different cultures, distraction from front-line services)?

Will require clear purpose (constituting ordinance) and focus (Board to demonstrate direction and commitment).

13. Are there limitations, internal red lights, or things a merged organisation would be prevented from doing?

There are challenges, but nothing insurmountable. Scale and presence will enhance performance.

14. How will a merged organisation integrate back-office functions like HR and accounting systems?

There are some common systems, some different, some due for replacement.

15. Will a merged organisation have the capacity to respond to more government reporting requirements?

No one is yet making a profit under the NDIS, but the expected changes to home care and other services while competitive are not expected to be as restrictive and a merged organisation will have greater capacity to respond.

16. With no additional funding, how will a merged organisation deliver enhanced parish partnership ministries?

Realistically not all parishes will become involved and each that does will be different but the example of Rooty Hill shows what is possible (rather than just building aged care the infrastructure is expanded to give the parish new community contact (op shop, drop-in, emergency accommodation, family assistance, etc).

17. Why is there a negative net cash flow in 2018 (p.24 of *Merger Considerations*)?

A timing issue given lumpy capital expenditure requirements.

18. What consideration has been given to the negative impact of re-branding the merged organisation?

There will be challenges but it need not be negative. Details will be up to the new Board but the merged organisation provides the platform for re-launch.

Wollongong – Wednesday 30 March 2016

1. Anglicare has a significant relationship with indigenous people and has a reconciliation action plan. Does ARV have a similar ethos in terms of indigenous people, and in respect to ministry to and with them? If not, will that be part of the charter of the merged organisation?

Anglicare does have a Reconciliation Action Plan (RAP). It employs an Aboriginal advisory officer and is committed to reconciliation. Aboriginal people and Torres Strait Islanders represent 14% of the client base. Anglicare's RAP employment targets have been met. Anglicare supports the matter being raised at Synod.

ARV aspires to increase its services to Aboriginal people and Torres Strait Islanders. It can't be done quickly. Recent acquisitions in Rooty Hill and Minto are intended to assist ARV to reach out to these communities.

In a broader sense, ARV is seeking to be more relevant in multi-cultural communities. This is important because in the over 70s age bracket the broader CALD community is growing at 7% a year compared to 1% for the Anglo community.

2. **Will policy decisions about the location of facilities be made by a broader group than currently?**

   Decisions will be made by the board of the merged organisation and so not a broader group than currently. It will be looking to needs and deciding on that basis. The North-West and South-West are key target areas. Decisions will be based on population statistics, demand and growth patterns.

3. **The approach to best practice in the report seems to be about choosing the best action done in the past by ARV and Anglicare. Will other standards be considered?**

   The examples in the report are not intended to be limiting but are opportunities that can be taken immediately. The organisation will be looking broader.

4. **Parish partnerships have lead to a nuanced response by Anglicare. Is this at risk?**

   The merged organisation will be in more areas. It will have more resources and capability than in the past. Both organisations are looking to do even better in this area. They want to work alongside and in partnership with a parish network. This must be two sided. The people we will serve don't come through church doors, we need to reach out.

   Anglicare don't use a cookie-cutter model. They look at local needs. ABS data is useful but there is also a lot of capability in parishes. Anglicare don't need to own everything and is happy for parishes to own things (e.g. intellectual property) and for Anglicare to assist and engage them in ministry.

5. **Is there a reason why all of the Anglicare liabilities cannot be transferred to ARV?**

   The options considered for the merger were: (1) new entity, (2) ARV merging into Anglicare, but this would be much more complex due to ARV landholdings and resident lease arrangements, and (3) the current proposed option.

   You can't novate or transfer all liabilities. Some are short-term and some are long-term. The indemnity is intended to provide for the liabilities that will remain with Anglicare. The principle is that claimants be in no worse position as a result of the merger. ARV also has an obligation not to put its creditors and residents at risk.

6. **How will the residents of ARV facilities be affected by the merger? Will they be transferred? Will things remain the same?**

   There will not be any change to their circumstances. There will not be any changes at the care facility level.

7. **The argument is that we need to get bigger to compete. Philosophically some may say the market pressures gives opportunities for niche providers? Has this been considered?**

   There are niche opportunities. Probably for low cost base, technology driven organisations. Some are using the shared economy (like Uber), especially home care. Long term players like ARV and Anglicare with an established presence need to develop effective systems to compete with these entities. A merged organisation can do this better.

8. **In the search for the proposed board members, what assurance can be given that they are all solid evangelicals?**

   It depends on the final ordinances. If the proposal goes through, the ordinance will specify how the board is constituted – six elected by Synod, three appointed by the Archbishop and two elected by the Board. The Archbishop will make sure his three appointments are such people. Initially the other members will be comprised of three members from the existing Anglicare council and three from the ARV board. They will be required to provide statements of faith. The names have been discussed between the Archbishop and the proposed Chairman, Mr Greg Hammond OAM. Beyond that it will be up to the Synod.

9. **Are we getting too big for our services to be delivered in a personal way? Will it be more difficult for parishes to work with such a large organisation?**

   All that we do is delivered in a personal way. We will not stop doing our work in a compassionate way; that is ministry. The size will not affect this.

   Anglicare is already big. It employs parish development officers and clergy to help develop a relationship with all parishes. It wants to understand parishes and be able to speak to them in an intelligible way. There is a need to be intentional about this; there is a need to invest in this commitment. Anglicare plans to increase spending on ministry engagement. It will not happen accidentally with a large organisation. The argument is not that bigger is better, but being sustainable, being better at what we do and doing more of it.

10. **Is there something built into the mechanism of the ordinance to ensure that the organisation does not just focus on getting money to empire build and not focus on home mission?**

    The way we look at it is that there are services that are funded (aged care, out of home care, disability services etc) and other services which are not funded. ARV provides services to homeless older people and Anglicare provides Emergency Relief and Disaster Recovery. These unfunded services are part of the objects and built into the fabric of the organisation. There will be regular reporting to Standing Committee about progress in meeting these objects which go to the heart of the organisation. There will be revenue sources of the organisation that will be dedicated to unfunded services.

11. **The name Anglicare is highly respected in the community, by churches and the government. What is the thinking about retaining the name?**

    The naming is a decision for the new board. The issue is presently being researched. What we know so far is that Anglicare is a much better known name. Both names could be used but there is benefit in having one common name to promote the organisation as a whole. Anglicare is a stronger name but we will see what the research shows.

    It is very expensive to change name. We are approaching the matter seriously and in an open minded way.

Chapter House – Thursday 31 March 2016

1. **How much detail of the proposed ordinances will be available before Synod?**

    The full package will be emailed to all Synod members by the end of next week (8 April).

2. **Can we submit questions before Synod?**

    Yes, by email to the Diocesan Secretary.

3. **How can Synod members interact with and perhaps modify the proposal?**

    There will be a time for questions at Synod and members can move amendments to the form of the motion.

4. **Anglicare has developed a strong philosophy of partnership with parishes. Does ARV have anything similar and will the merged entity maintain that capacity?**

    Anglicare has created parish partnership managers to work with and develop the most appropriate response for a particular parish's needs. ARV and Anglicare recognise they have not yet realised the full potential from such partnerships but they, and the new merged entity, are committed to developing this model.

5. **Given that I could only find 2 sentences in the merger document on this, what comfort can you offer Synod that the new organisation will embrace the Diocesan Mission 2020 to proclaim Christ?**

    The Board membership, CEO selection, employment practices, and an active management focus all emphasise the committed Christian culture, but the organisation also welcomes being held accountable on this fundamental principle.

6. **You indicated approximately 70% of Anglicare's revenue comes from Government. How much of ARV is Government funded and what impact will that have on the merged organisation?**

    ARV receives about 50% of its funding from Government, which is fairly typical for the aged care sector.

7. Why is there no mention of the development of philanthropy in the merger document?

Fundraising will be crucial to the new organisation, both as a source of funds but even more importantly as a way of strengthening the partnership with supporters. There will be a manager dedicated to developing this function.

8. Can you comment on why it is proposed the new organisation be established by ordinance rather than as a company limited by guarantee?

The alternatives were examined but legal complications made the ordinance structure the most practical.

9. What role do you see for chaplaincy in the merged organisation? Will it expand or contract?

The aim is to see it expanded, but as a minimum all the existing positions in both organisations will continue.

10. Will the new organisation be organised in sections? If so, how many? Will the current cross subsidy by Chesalon continue?

It is proposed the merger organisation will be structured along functional lines. It is recognised that will mean some functions/lines are more profitable than others but that in no way diminishes the organisation's commitment to maintaining less profitable functions, and indeed some completely unfunded services.

11. Can you comment on the alternative of transferring all aged care services to ARV and leaving just the non-aged care welfare services in Anglicare?

This was examined but would not be viable. Approximately 60% of Anglicare's existing revenue and staff are aged care related, so if this was removed the organisation would be radically smaller and unable to maintain all the present services.

12. Given the importance of financial considerations, what thought has been given to the risk that donations may dry up because the new organisation is predominately focused on aged care?

The concern over donor drop-off has been identified as one of the major risks and considerable effort has and will be put into countering this possibility, principally by strengthening the partnership with donors to be more than just a financial commitment. Of course as noted previously, Anglicare is already nearly 60% aged care and that hasn't stopped people donating to support the unfunded services.

13. Was work done to explore the alternative of creating 2 bodies – one asset focussed and the other service focussed?

Yes, this was one of many alternatives that were considered, but it is significantly less optimum than a single merged entity.

14. Without revealing the dollar amounts involved, can you explain the process used to estimate the possible liabilities that the new organisation may need to meet?

Anglicare of course has a history of responding to claims, many from people injured while in residential care in establishments run by Anglicare or one of its predecessors. Considerable work was done using actuarial and legal advice to estimate the potential future liability and we are satisfied that we have a structure that will ensure that the merger will in no way diminish the new organisation's ability to respond to such claims.

15. Are there examples of other organisations that operate aged and home care alongside a range of other welfare services?

Yes, both BaptistCare and UnitingCare (now renamed "Uniting") operate in this way.

16. Can you confirm the new organisation will be committed to leveraging its property assets to assist churches operating in new areas?

That is certainly the intention and while the details will need to be different in each case there are some exciting projects happening in that space now. Stanhope Gardens, Rooty Hill and Minto are 3 examples where property is being developed in partnership with the local church to provide far more than just aged care facilities. In each case the partnership with the local church is the key to developing the other community services and outreach opportunities.

17. What will be the term of office of each of the new board members? Why will Synod get no say until 2020?

The proposal is for the merged entity to have a Board of 11 – 3 chosen by the Archbishop, 6 elected by Synod and 2 by the Board itself (to meet particular skills needs). To ensure continuity and preserve corporate memory in the transition phase the Synod positions will initially be filled by 3 ex-Anglicare and 3 ex-ARV board members, 2 of whom will serve a term ending in October 2017, 2 more in 2018 and the last 2 in 2019. So, it is not true to say that Synod will get no say until 2020 – in fact from 2017, Synod will elect 2 people each year to fill the 6 Synod positions.

18. Will a merged Anglicare/ARV have implications outside the Diocese?

There is the potential for the organisation to expand in the future, but that is not high on the agenda.

19. What do you see as the greatest cultural gap facing the new organisation? What plans are there to address that challenge?

We recognise this is a key issue facing the new organisation and one that will be a major focus for the Board and management. We can't simply co-exist, as change will be needed, and it will require an intentional effort and the engagement of all staff. Having said that we have a strong common basis with both organisations committed to supporting the Diocesan Mission and sharing Jesus' love.

20. What assurance can you give that people paying for retirement living will not be subsidising the other services of the merged organisation?

ARV have already written to all residents explaining that there will be absolutely no change to their financial (or living) arrangements from the merger. To date residents have not expressed the sort of concern implied in the question.

21. The Diocese lost a lot of money in the GFC, will the two current organisations or the merged entity have autonomy or might they be impacted by other Diocesan financial issues?

Neither organisation has received any Synod grant funding for quite some time. For example, chaplains are funded from the organisation's own resources. The only financial connection is that Anglicare provides some limited services (NCLS) to the Diocese, but the payment here is less than cost anyway. The Public Benevolent Institution (PBI) status would prevent the Diocese accessing the organisation's funds for other purposes.

22. What work has been done around the ethical considerations arising from cross subsidisation?

The PBI status effectively quarantines funds for the stated purpose. Each part of the organisation manages to a bottom line, but while some are profitable in their own right others are unfunded and effectively rely on the income generated from the organisation's substantial ($300m) capital base and from donations.

23. If admin/overhead is currently around 27%, what is the target?

Currently Anglicare's overheads are around 25%-30% (made up of about 16% for central services like IT, finance, HR, etc) and then some regional administration) and the target in home care is 15%.

24. If the merger were not to proceed would Anglicare survive?

The organisation is financially strong and well managed, but there are challenges ahead. Selling 60% of the business (the aged care operation) would leave the organisation too small to compete, because low overheads requires scale. In that scenario some services would not be viable.

25. If one of the benefits of the merger is to reduce costs why is there not much reduction in the estimated salaries expense line of the new organisation?

It is planned there will be 50 less overhead/admin positions in the new organisation, but the saving here will be partly offset by growth/an expansion of activities and new front-line positions, which themselves bring additional revenue.

26. What plans are there to achieve cultural integration and in particular how will this be reflected in constitutional reform?

A lot of work has been done to overlay the two organisations' ordinances comparing objects, mission and values which reveals there is already a lot of commonality. Employees from both organisations, at all levels, have been involved and there is a lot of goodwill evident. Wording to reflect a synthesis, taking account of the PBI restrictions, has been incorporated into the proposed ordinances and the draft statement of organisational purpose.

27. Has the new organisation got a name? Will you be inviting suggestions?

No it hasn't, and no we will not be inviting suggestions. Branding is really important, research is already underway to help guide the new Board. We are hoping to have that settled in time for the 1 July launch of the merged organisation.

28. To what extent are the two current Boards supportive of the proposal?

They are both fully supportive. A lot of work was done in 2014 and then from September 2015 through to January 2016 when both boards formally adopted the proposal.

29. There are strong arguments for size and efficiency, but what if Synod rejected the proposal?

If that were the case, it would be helpful if Synod were to give its reasons as that would help the two organisations understand how they should proceed, but the reality is that the boards and management would adapt as necessary to the new conditions. Synod certainly has the power to say no, or to give conditional approval.

30. What will be the impact on the staff of the current organisations?

The merger is expected to take 12 months to work through. Some 50 support positions from the CEO down will go. Both organisations have deliberately not filled some 5-6 of these positions that have recently become vacant. A number of other positions will become vacant over the next year as a result of natural turnover, some perhaps accelerated by the uncertainty. The financial estimates have been calculated assuming all 50 positions were made redundant at a cost of about $3m.

31. Will the many volunteer positions remain?

Yes, absolutely. There will be no change and indeed the merged organisation will continue to rely heavily on the support of volunteers.

32. How confident are you that in 10 years' time we won't find ourselves in another hole?

The merged organisation will remain accountable to Synod, but it will be stronger than either of the present organisations, and therefore better able to respond to the inevitable changes and new challenges that will emerge in the future.

Attachment 3

Draft ordinances to give effect to merger proposal prepared by Ashurst (ARV's legal advisors)

Anglican Retirement Villages Diocese of Sydney (Merger with Sydney Anglican Home Mission Society Council) Ordinance 2016

No , 2016

LONG TITLE

An Ordinance to provide for the merger of Sydney Anglican Home Mission Society Council and Anglican Retirement Villages Diocese of Sydney and to provide for a variation to the *Sydney Anglican Home Mission Society Ordinance 1981* (the **Principal Ordinance**).

PREAMBLE

A. Sydney Anglican Home Mission Society Council (**SAHMS**) holds assets as church trust property for the purposes of carrying out the objects and undertaking of SAHMS (the **SAHMS Charitable Objects**), including –

(1) the land set out in Schedule 1; and

(2) all assets used in connection with the SAHMS Charitable Objects as at the commencement date of this Ordinance including those assets set out in Schedule 2,

(collectively, the **Assets**).

B. By reason of circumstances which have arisen after the creation of the trusts on which the Assets are held it is inexpedient to continue to carry out and observe those trusts and it is inexpedient to deal with or apply the Assets for the same or like purposes as the trusts on which they are currently held.

C. It is expedient for the Assets to be used for the purposes of carrying out the charitable objects and undertaking of Anglican Retirement Villages Diocese of Sydney (**ARV**) and for the Assets to be held on trust for the purposes of ARV (the **Merger**).

D. As part of the Merger, the Assets are to be vested in ARV as the new trustee of the Assets to be held and used by ARV for the purpose of undertaking the charitable objects of ARV set out in the *Anglican Retirement Villages Diocese of Sydney Constitution Ordinance 1961* as amended to provide for the Merger by the *Anglican Retirement Villages Diocese of Sydney Constitution Ordinance 1961 Amendment Ordinance 2016*.

E. As part of the Merger, the name of ARV is to be changed to Anglicare Community and Aged Care Services Diocese of Sydney (**ACACS**), and the *Anglican Retirement Villages Diocese of Sydney Constitution Ordinance 1961* (as amended by the *Anglican Retirement Villages Diocese of Sydney Constitution Ordinance 1961 Amendment Ordinance 2016*) is to be renamed the Anglicare Community and Aged Care Services Diocese of Sydney Constitution Ordinance 1961 (the **ACACS Ordinance**).

F. In order to effect the vesting described in Recital (D), by resolution of the Standing Committee, the office of trustee of the Assets will be declared vacant by reason of the matters specified in that resolution, and it will be resolved to elect ACACS to the office of trustee of the Assets in place of SAHMS, such vacancy and election in the office of trustee to take effect on the Commencement Date of this Ordinance (**Resolution**).

The Standing Committee of the Synod of the Diocese of Sydney ordains as follows.

1. NAME

This Ordinance is the *Anglican Retirement Villages Diocese of Sydney (Merger with Sydney Anglican Home Mission Society Council) Ordinance 2016*.

2. INTERPRETATION ORDINANCE

The *Interpretation Ordinance 1985* applies to this Ordinance.

3. CONTINUATION OF SAHMS

(1) SAHMS will continue to operate for its purposes as set out in the Principal Ordinance as amended by this Ordinance.

(2) SAHMS will continue to be responsible for the management and settlement of its liabilities and for dealing with –

- (a) claims under the Pastoral Care and Assistance Scheme operated by SAHMS at the Commencement Date or any replacement or amended scheme approved by the Standing Committee from time to time, and
- (b) other claims in connection with the indemnity described in clause 5 of the Anglican Retirement Villages Diocese of Sydney Constitution Ordinance 1961 Amendment Ordinance 2016.

(3) The Council of SAHMS (as amended by this Ordinance) shall continue to operate in accordance with the *Anglican Church of Australia (Bodies Corporate) Act 1938* to perform the Objects of SAHMS, to discharge the duties of SAHMS and to give effect to the provisions of this Ordinance and any specific trust imposed by any gift, devise or bequest.

4. AMENDMENTS TO THE SAHMS ORDINANCE

The Principal Ordinance is amended as follows –

(a) clause 5 is deleted and the following inserted instead –

> "**5. Objects of the Council**
>
> The objects of the Council shall be to –
>
> (a) further the work of the Anglican Church of Australia within the Diocese of Sydney by proclaiming the love of God as shown in Christ in promoting and conducting activities of a pastoral missionary, social welfare and charitable nature to be executed by the relief of poverty or other charitable means; and
>
> (b) in accordance with the terms of the *Anglican Retirement Villages Diocese of Sydney (Merger with Sydney Anglican Home Mission Society) Ordinance 2016* –
>
> (i) subject to any more particular trust, to hold all future property, gifts, bequests or devises on trust for the purposes of Anglicare Community and Aged Care Services Diocese of Sydney, other than future property, gifts, bequests or devises received for the specific purpose of administering the Pastoral Care and Assistance Scheme (or any replacement scheme approved by the Standing Committee from time to time) or for the specific purpose of management and settlement of its liabilities;
>
> (ii) to carry on the continuing undertaking of the Council;

(iii) to ensure the proper management and settlement of its liabilities and the administration of –

(A) claims under the Pastoral Care Assistance Scheme or any replacement or amended scheme approved by the Standing Committee from time to time; and

(B) other claims made in connection with the indemnity described in clause 5 of the *Anglican Retirement Villages Diocese of Sydney Constitution Ordinance 1961 Amendment Ordinance 2016*; and

(c) to do all matters and take all actions incidental or ancillary to these objects."

(b) clause 6(1) is deleted and the following inserted instead –

"(1) The members and chairman of the Council are the members and chairman of the board of Anglicare Community and Aged Care Services Diocese of Sydney. A person who becomes or who ceases to be a member or chairman of the board of Anglicare Community and Aged Care Services Diocese of Sydney shall thereby become or cease to be (as the case may be) a member or chairman of the Council."; and

(c) clauses 7, 8, 9, 10, 11 and 12 are deleted; and

(d) clause 14 is substituted with the following –

"**14. Meetings of the Council**

(1) The Council is to meet at such times as it may determine.

(2) A special meeting of the Council may be convened by –

(a) the Archbishop, or

(b) the Chairman, or

(c) any 4 members of the Council

by giving written notice to all members of the Council of their intention to convene the meeting, the purpose of the meeting and the date, place and appointed time.

(3) A quorum for a meeting of the Council is 6 members."

5. AMENDMENT TO THE STANDING COMMITTEE ORDINANCE 1897

The *Standing Committee Ordinance 1897* is amended by deleting the words "and the Executive Director of the Sydney Anglican Home Mission Society" in clause 1A(1)(a).

6. AMENDMENT TO THE ACCOUNTS, AUDITS AND ANNUAL REPORTS ORDINANCE 1995

The Third Schedule of the *Accounts, Audits and Annual Reports Ordinance 1995* is amended by deleting the matter "Anglican Retirement Villages: Diocese of Sydney" and inserting instead the matter "Anglicare Community and Aged Care Services Diocese of Sydney".

7. VARIATION OF TRUSTS

(1) By reason of circumstances which have arisen after the creation of the trusts on which the Assets are held it is inexpedient to carry out and observe those trusts and it is inexpedient to deal with or apply the Assets for the same or like purposes as the trusts on which they are held.

(2) Subject to the terms of this Ordinance, the Assets are held on trust for the purpose of undertaking the objects of ACACS as set out in the ACACS Ordinance.

8. MERGER OF ARV AND SAHMS

(1) Upon the election of ACACS as the new trustee of the Assets pursuant to the Resolution, the Assets shall by virtue of such election become vested in ACACS to be held and applied by ACACS for the purpose of undertaking the objects of ACACS set out in the ACACS Ordinance.

(2) At least 10 days prior to commencement of this Ordinance, SAHMS must procure that ARV makes offers of employment to all employees of SAHMS who are engaged in functions directly connected to the transferred Assets on terms and conditions that, when considered on an overall basis are substantially similar and no less favourable than the terms of the employee's employment by SAHMS.

9. GIFTS, DEVISES, BEQUESTS

All gifts, devises and bequests which are received or vested in SAHMS after the Commencement Date that take the form of a gift, devise or bequest to, or for the purposes of SAHMS, other than gifts, devises or bequests received for the specific purpose of administering the Pastoral Care and Assistance Scheme or for the specific purpose of management and settlement of its liabilities, shall be held on trust by SAHMS for ACACS to be applied for the objects of ACACS as amended from time to time and otherwise subject to any more particular trust attached to such gift, devise or bequest and shall be paid or transferred by SAHMS to ACACS as soon as practicable after receipt by or vesting in SAHMS.

10. COMMENCEMENT

Except for this clause and clause 8(2), the provisions of this Ordinance commence on the date determined by the Archbishop-in-Council (the “Commencement Date”).

SCHEDULE 1

Real Property

[Note: the title details of land held by SAHMS to be inserted following due diligence.]

SCHEDULE 2

Assets

[Note: details of material assets to be included following due diligence.]

(a) (**goodwill**) the goodwill of any business conducted by SAHMS;

(b) (**trade debts**) each amount (or receivable) owing to SAHMS from a debtor as at the Commencement Date for goods or services supplied to the debtor by SAHMS in conducting its activities;

(c) (**Contracts**) the rights of SAHMS under any arrangement, contract, covenant, deed, instrument, lease, licence, security, trust, understanding or undertaking (including for any use of intellectual property of any person) not yet fully performed at the Commencement Date which SAHMS entered into in connection with its activities.

(d) (**business IP**) all intellectual property rights (including names) owned by SAHMS and used in connection with its activities;

(e) (**owned plant and equipment**) the plant, equipment, facilities, computers, machinery, vehicles, fixtures and fittings owned by SAHMS and used in connection with its activities;

(f) (**Records**) the rights of SAHMS in all documents and records relating to the operation of its activities;

(g) (**other assets**) any other assets recorded on the balance sheet of SAHMS or owned by SAHMS and held or used in connection with its activities at Completion.

I Certify that the Ordinance as printed is in accordance with the Ordinance as reported.

Chair of Committees

I Certify that this Ordinance was passed by the Standing Committee of the Synod of the Diocese of Sydney on 2016.

Secretary

I Assent to this Ordinance.

Archbishop of Sydney

/ /2016

Anglican Retirement Villages Diocese of Sydney Constitution Ordinance 1961 Amendment Ordinance 2016

No , 2016

LONG TITLE

An Ordinance to amend the Anglican Retirement Villages Diocese of Sydney Constitution Ordinance 1961.

PREAMBLE

A. The *Anglican Retirement Villages Diocese of Sydney Constitution Ordinance 1961*, as amended (**Principal Ordinance**), provides for a constitution (**Constitution**) for Anglican Retirement Villages Diocese of Sydney (**ARV**).

B. It is intended that this Ordinance amend the Constitution to facilitate a merger of ARV with the Sydney Anglican Home Mission Society Council.

The Standing Committee of the Synod of the Diocese of Sydney Ordains as follows.

1. NAME

This Ordinance is the *Anglican Retirement Villages Diocese of Sydney Constitution Ordinance 1961 Amendment Ordinance 2016*.

2. INTERPRETATION ORDINANCE

The *Interpretation Ordinance 1985* applies to this Ordinance.

3. AMENDMENT OF THE PRINCIPAL ORDINANCE

The Principal Ordinance is amended as follows –

(a) by substituting the words "Anglican Retirement Villages" with the words "Anglicare Community and Aged Care Services" wherever they appear;

(b) by inserting a new definition of "SAHMS" in clause 1 as follows –

> '"SAHMS" means Sydney Anglican Home Mission Society Council, a body corporate constituted under the *Anglican Church of Australia (Bodies Corporate) Act 1938*.';

(c) by deleting the matter "clause 8(1)(a)" in the definition of "Elected Members" in clause 1 and inserting instead "clause 8(1)(a) or (b)";

(d) by deleting clause 5 in its entirety and replacing it with the following –

> "**5. Objects**
>
> The Body Corporate is established as a public benevolent institution to further the work of the Anglican Church of Australia, Diocese of Sydney by promoting and proclaiming the gospel of the Lord Jesus Christ while undertaking works of public benevolence that reflect the love of God as shown in Christ including –
>
> (a) the housing, accommodation, maintenance and welfare of older people;

(b) welfare and support services for the vulnerable, the marginalised, the disabled and those in necessitous circumstances;

(c) providing monies, guarantees or indemnities to support any body corporate constituted at the instance of the Synod of the Diocese of Sydney under the *Anglican Church of Australia (Bodies Corporate) Act 1938* undertaking similar objects or objects incidental to any object of the Body Corporate;

(d) such other benevolent activities as the Board may from time to time determine; and/or

(e) such other things as are incidental and conducive to the attainment of the objects in (a)-(e),

and to bring all such persons under the pastoral care of the Anglican Church of Australia.";

(e) by amending clause 8 as follows –

(i) delete paragraph 8(1)(a) and insert a new paragraph instead as follows –

“(a) 3 members of the clergy elected by the Synod (at least 1 of whom must be a rector)";

(ii) insert a new paragraph 8(1)(b) as follows (and reletter the remaining paragraphs) –

“(b) 3 lay persons elected by the Synod,”;

(f) by deleting the matter “2 of the Elected Members” in clause 10(1) and inserting instead the matter “1 member of clergy who is an Elected Member and 1 lay person who is an Elected Member”;

(g) by inserting a new clause 23A as follows –

"23A. Consulting on business plans for the delivery of welfare and support services

The Board must consult with the Standing Committee at least annually in respect to its business plans for the pursuit of its object under clause 5(b)."; and

(h) substitute clause 24 with the following –

"24. Reporting

The Board must –

(a) provide to the Synod or the Standing Committee any information as to the affairs of the Body Corporate which it may be requested to provide by a resolution of the Synod or the Standing Committee respectively,

(b) at least once in each year report to the Synod in respect to its proceedings and its pursuit of each of its objects, and

(c) comply with the *Accounts, Audits and Annual Reports Ordinance 1995*.".

4. MEMBERSHIP AND CHAIRMAN OF BOARD

(1) The following persons are taken to have been elected or appointed as Members under the Principal Ordinance on the following dates in place of the Members holding office under subclauses 8(1)(a) and 8(1)(b) of the Principal Ordinance immediately before the Commencement Date –

Name	First Appointed/Elected	Last Appointed/Elected	Clause under which appointed/ elected
The Rev Dr Margaret Powell	1 October 2008	16 October 2013	Clause 8(1)(a)
Mr Ian Steward	17 April 2008	16 October 2013	Clause 8(1)(a)
Mr Martyn Mitchell	1 October 2011	15 October 2014	Clause 8(1)(a)
Mr Michael Clancy	11 December 2008	15 October 2014	Clause 8(1)(a)
Mrs Laura Elder	25 June 2013	14 October 2015	Clause 8(1)(a)
Bishop Christopher Edwards	29 May 2014	14 October 2015	Clause 8(1)(a)
Mr Peter Hicks	16 October 2013	16 October 2013	Clause 8(1)(b)
Dr Linda Kurti	15 October 2014	15 October 2014	Clause 8(1)(b)
Mr Greg Hammond OAM	14 October 2015	14 October 2015	Clause 8(1)(b)

(3) Subclauses 10(1), (2) and (3) of the Principal Ordinance (concerning the retirement of Members) are suspended until the first day of the first ordinary session of the 51st Synod.

(4) The Board is taken to have appointed Mr Greg Hammond OAM as the Chairman of the Board under clause 14 of the Principal Ordinance.

5. INDEMNITY

ARV must execute a deed of indemnity before the Commencement Date such deed of indemnity to be in a form agreed between the Council of SAHMS and ARV, and approved by the Standing Committee.

6. COMMENCEMENT

(1) Except for clauses 5 and 6, and subject to subclause (2), the provisions of this Ordinance commence on the date determined by the Archbishop-in-Council (the "Commencement Date").

(2) Clauses 3(c), (e) and (f) commence on the first day of the first ordinary session of the 51st Synod.

I Certify that the Ordinance as printed is in accordance with the Ordinance as reported.

Chair of Committees

I Certify that this Ordinance was passed by the Standing Committee of the Synod of the Diocese of Sydney on 2016.

Secretary

I Assent to this Ordinance.

Archbishop of Sydney

/ /2016

Attachment 1

MERGER CONSIDERATIONS
Better Together

Prepared by

Rob Freeman – CEO Anglican Retirement Villages
Grant Millard – CEO Anglicare

March 23, 2016

Contents

Foreword by the CEOs 3

Our Two Organisations 4

- Anglicare
- ARV

Why is a Merger being Proposed? 10

- Supporting the Diocesan Mission
- Improving our Competitive Position
- Greater Capability by Streamlining Costs

Our Purpose 16

- Name and Branding of the Merged Organisation

What are the Implications if a Merger does not Proceed? 18

Merged Operations 21

- The Strategic Opportunities
- Financial Outlook
- What is the Future for Anglicare's services in an Aged Care Dominated Organisation?
- Risk Assessment and Mitigation

How the Merger would Proceed 27

Who is Responsible for Moving this Forward? 27

Conclusion 29

Appendix 30

- Pro-forma Financials

Foreword by the CEOs

Grant Millard
CEO Anglicare

Rob Freeman
CEO Anglican Retirement Villages

March 23, 2016

The purpose of this paper is to detail the important matters that have led both the Anglicare Council and the ARV Board to recommend that it is in the best interests of both organisations and in the interests of serving the cause of the gospel in the Diocese of Sydney that the two organisations be merged.

The rationale for merger is compelling and future-facing and is built on three key benefits.

1. The merger provides a **new and extended platform** for supporting the Diocesan Mission through an expanded reach into the community and the ability to minister to, and share the gospel with, people who would never otherwise enter a church.
2. The merger means **greater scale** – our competitive position improves, with a solid foundation provided for the continuation and expansion of our services and ministries.
3. The merger **removes duplication, reduces operating costs,** and **enables greater capability**.

These benefits are described in greater detail within this report.

Our Two Organisations

Anglicare Sydney was originally established as the Church Society in 1856. The original church planting function of the Church Society grew to include children's welfare and benevolent work by the start of the 20th Century. The Church Society became the Home Mission Society in 1911, and then Anglicare in 1997. Anglicare's aged care work commenced in 1943 and the first Chesalon home was established in Summer Hill in 1952.

Anglicare Sydney's operations extend from Mona Vale and Hornsby in the north, to Lithgow in the west and from Bondi in the east, to Ulladulla in the south of the Diocese of Sydney. There is one retirement village located at Oran Park (operating but with further stages to be completed), and six residential aged care facilities, home to 450 residents. A seventh residential aged care facility for 100 residents to be built at Oran Park has received Development Approval. In addition to its residential aged care, Anglicare provides HomeCare services and other community aged care services to over 3,500 older people living in the wider community and operates 16 community day centres.

Anglicare Sydney also undertakes a wide range of community services and welfare activities. The more substantial services are government-funded, including the following:

- Out of Home Care (OOHC) services for children and young people including foster care, adoptions and residential care
- Migrant and refugee services
- Counselling services
- Family and parenting support
- Youth Programs
- Disability support and carer support services
- Mental health programs

Other services are unfunded, or partially funded by government and depend on donations and legacies, including the following:

- Sustainable Living, including emergency relief, financial counselling, capacity building, no interest loans and low interest "Step Up" loans
- Disaster Recovery services following natural disasters
- Chaplaincy in hospitals, prisons, mental health facilities and aged care facilities
- Social Policy Research and Advocacy group which "punches above its weight" in advocating for its constituency

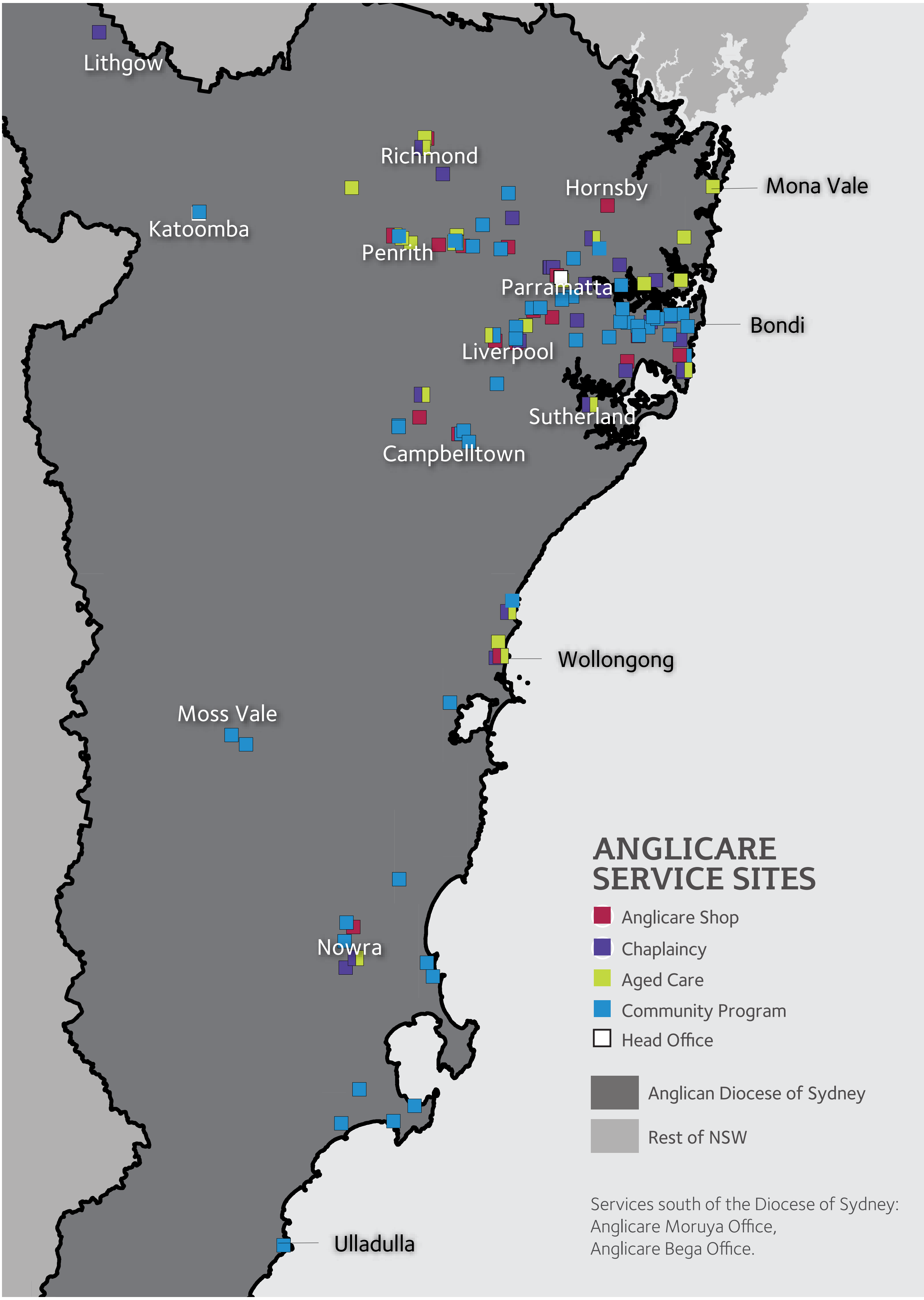
Anglicare also operates 19 "Op Shops" that meet the needs of many Sydney people with about 500,000 customer visits each year.

"Anglicare" (and "Anglicare Sydney" where relevant) is the trading name utilised by the Sydney Anglican Home Mission Society and it is the registered owner of the name in NSW. Anglicare is one of the largest members of the Anglicare Australia (AA) network of agencies operating throughout Australia. The name "Anglicare" is used by a number (but by no means all) of AA member agencies operating in areas outside the Diocese of Sydney, including throughout other parts of the State of NSW. This broader use of the "Anglicare" name gives national visibility and recognition but can also give rise to adverse instances of mistaken identity and reputational harm.

Employing around 1,400 staff, most of whom work part time, Anglicare also has around 1,400 volunteers. Through its programs Anglicare assisted approximately 41,000 people across the Sydney Diocese in 2015 (this figure excludes the 500,000 people who use Anglicare's "Op Shops" every year).

For the past two years Anglicare has been on a journey of transitioning its programs and services to a level of financial sustainability. This has involved focus on more accurate cost allocation to programs, the efficient use of property, improving financial performance of residential aged care operations and increasing accountability for how all Anglicare's activities address the whole mission of the organisation. There is a recognition that more needs to be done to reduce Anglicare's central and regional costs while providing the type of central services which equip the organisation to make sound commercial judgments and to compete effectively on service quality and cost. Every year Anglicare Sydney raises money through donations, legacies and bequests, which average $5.4 million per annum, in order to fund initiatives and to establish the capital base to undertake sustainable ministry for the future.

Anglicare remains committed to pastoral care and assistance for former residents of Children's Homes run by Anglicare in the past, or run by other organisations for which Anglicare has taken responsibility. Anglicare has been able to fund claims out of its own resources without material detriment to other activities.



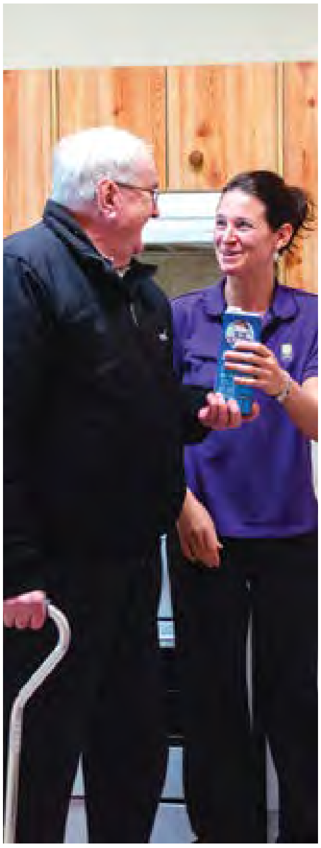
Anglicare Services Within the Anglican Diocese of Sydney

The Mowll Memorial Village for Aged People opened at Castle Hill in 1960. Since then, Anglican Retirement Villages (ARV) has been serving older people through housing, accommodation and care services.

ARV's retirement living and residential care presence extends south to Dapto, north to Warriewood and west to Penrith. There are 21 retirement villages accommodating 2,400 people and 16 residential aged care homes accommodating 1,730 people.

Since 1993, ARV has grown in the provision of government-funded community services, currently serving 1,100 HomeCare clients and about 2,000 Community Home Support Program (CHSP) clients. ARV has 4 day respite centres. ARV operates a Central Laundry and Central Production Kitchen from premises in Glendenning and Norwest which support all 16 ARV residential aged care homes.

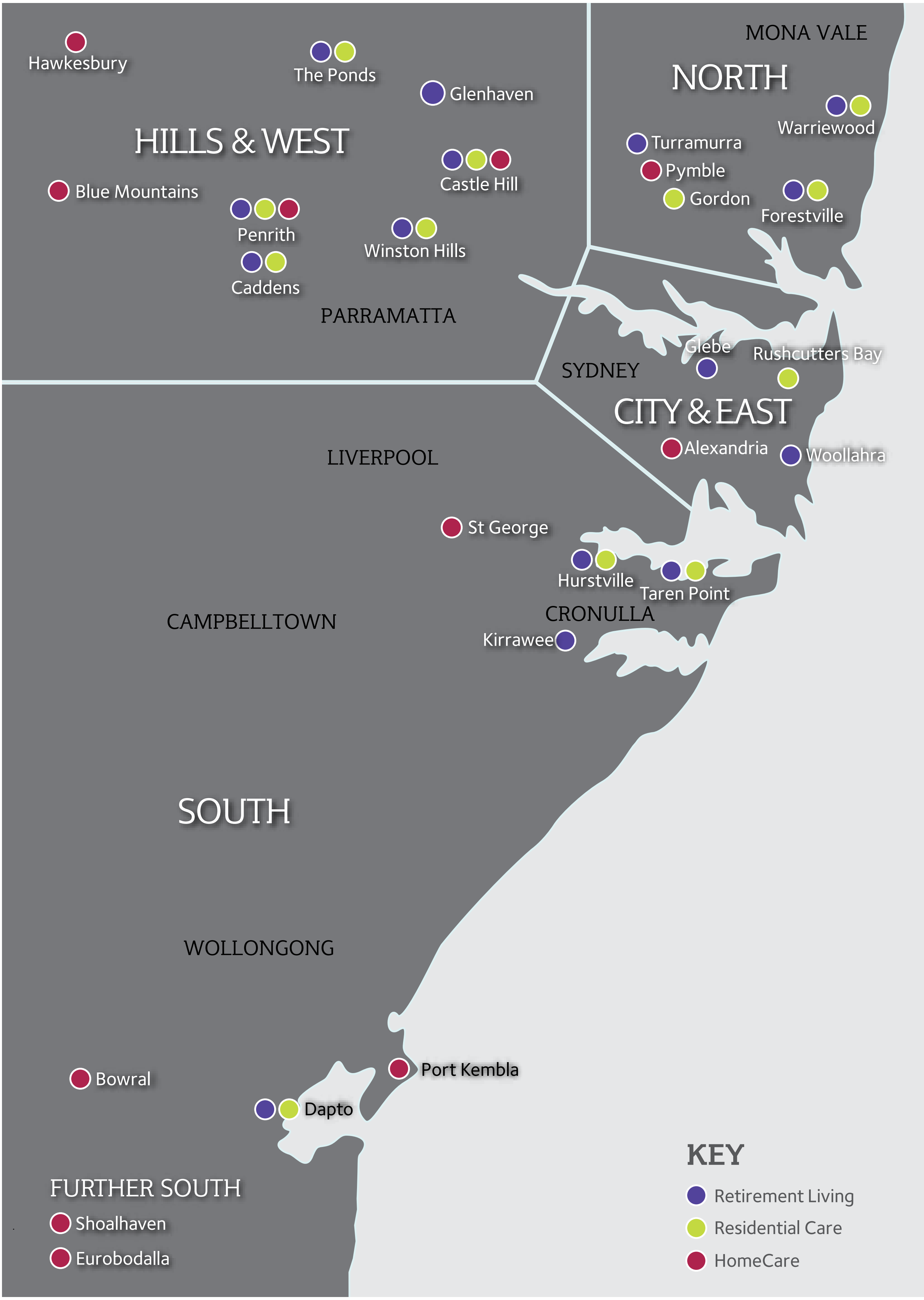
ARV employs 2,400 staff, most of whom work part time. While ARV is well known for its retirement village operations, most staff work in residential care homes. This work is a crucial ministry to people at the end of their lives and to their families who are very often in emotionally challenging situations. About 1,500 volunteers are engaged by ARV, each year providing about 175,000 hours of service. ARV Foundation for Aged Care raises approximately $0.8 million per annum through donations and legacies.



ARV's strategy has most recently included the following.

- Broaden its service offer to people with limited financial means, including a program to establish accommodation for people at risk of homelessness
- Increase ministry ambitions – with non-Christian residents, staff, community clients and resident families now seen as within reach of pastoral care and the gospel
- Introduce a new model of care called "Rhythm of Life", which has fundamentally changed life in residential care homes as daily life routines are based on the needs and desires of residents rather than the traditional routines and work programs of the aged care homes
- Establish new services in areas with greater cultural diversity and lower average rates of household income, with recent property acquisitions in Rooty Hill and Minto

Annual reports and certain financial information for Anglicare and ARV may be located on the websites of each organisation at **www.anglicare.org.au** and **www.arv.org.au**.



ARV Services Within the Anglican Diocese of Sydney

Why is a Merger being Proposed?

There are 3 key reasons for the proposed Anglicare/ARV merger.

- **Supporting the Diocesan Mission**
- **Improving competitive position**
- **Initiating greater capability by streamlining costs**

Supporting the Diocesan Mission

The four priorities of Mission 2020 are to:

- Reach all the lost in our Diocese with the life-giving gospel of Christ
- Deepen spiritual maturity among our members
- Equip our members to exercise their gifts
- Respond to the changing face of our society

It is essential that Diocesan organisations work in partnership with parishes and the broader church to reach all the lost – a calling explicitly acknowledged by Anglicare, as parish partnerships is one of three elements of its mission statement. Anglicare has a broad base for parish engagement and more parish partnerships than ARV, with its name and work widely recognised within the church. Over the last ten years Anglicare has focussed heavily on articulating its gospel motivation and developing a model of Christian care in which its programs and staff are encouraged and equipped to 'Care like Christ', 'Care towards Christ' and 'Care alongside Christ's people', mirroring Anglicare's three-fold mission to care, to proclaim the gospel and to partner with parishes.

Over recent years, ARV has engaged with many parishes and developed strong relationships with those parishes where there are arrangements in place for employment of chaplains. ARV seeks to be more visible and relevant to the broader church. Increasingly, ARV is building substantive partnerships to develop services in areas where there has been no previous capability, including Rooty Hill and Quakers Hill. These partnerships will have engagement with local parishes beyond the funding of local clergy to minister within retirement villages.

Both Anglicare and ARV preference the employment of Christians, especially in management roles, and this practice will continue to be a fundamental aspect of employment decisions.

There are key factors pointing to strong alignment of the ministry objectives of the merged organisation with the Diocesan Mission: the ability to work with parishes in engaging a community much wider than the parish community, the opportunity for ministry through the many settings in which the merged organisation would operate, the ability to present the gospel through the large number of personal relationships that are developed, and the fact that the merged organisation would be working at the "front line" in a city that is diversifying and changing demographically, importantly with many people from culturally and linguistically diverse (CALD) communities. With prayer, focus, investment and strong intent there is opportunity to do this work more effectively than ever - as a merged organisation.

Why will the merged organisation be more effective? There are three key reasons.

The breadth of service offer means a significant presence for the merged organisation in local communities. A range of services from "Op Shops" to aged care homes provides the opportunity for personal relationships with people in need and with their families. Service breadth and scale gives presence and the opportunity to serve and build trust. This in turn provides the ability to reach many people with compassion and with the gospel. This opportunity to build trust is particularly important as we seek to reach out to CALD communities. The merged organisation will be better resourced to work alongside churches as we respond to the changing face of society in Sydney and the Illawarra.

The geographical spread of operations of the merged organisation means that many partnerships with parishes can be developed and implemented for new and innovative ways to reach into the community - right across the Diocese. ARV and

Anglicare combined currently reach about 50,000 people - a similar number to the Diocesan total in church on Sundays. Services to the very young, the very old and everyone in between means there is an opportunity for many, many introductions to local churches. In addition, it is a realistic objective that the merged organisation will be a specialist resource in ministry to the aged and to the socially disadvantaged, a resource available to and well used by churches. There is huge potential for the merged organisation to work alongside churches in reaching all the lost in our Diocese.

The strong financial base of the merged organisation underwrites ministry capability and services, giving confidence that chaplaincy and pastoral care remains an essential service and not constrained financially. Moreover, there is an opportunity to increase funding available for chaplaincy and pastoral work.

With prayer, focus, investment and strong intent, there is an opportunity to minister more effectively than ever.

Improving our Competitive Position

Historically, aged care services have been controlled by government with Approved Provider status granted by government and required for an organisation to receive government funding. The allocation of residential care licences and HomeCare places (services provided to people in their homes) have also been controlled by government, with people requiring government approval before receiving subsidised aged care services. This is changing and the pace of change has quickened dramatically in the last 18 months.

Consumer Directed Care commenced in HomeCare last year and clients increasingly have control of how their subsidy funding is spent. From February 2017, the government will allocate HomeCare subsidy funding directly to consumers, not Approved Providers, and will cease control of the allocation of places - creating *a truly competitive marketplace*. Similarly, Commonwealth Home Support Programs (CHSP), which service many more clients, will also be subject to change, commencing July 2018. Service providers will prosper or fail in an open marketplace, being subject to the same competitive pressures as any other consumer-led business.

The government has flagged that residential aged care will follow this path, with controls on the supply of licences being removed, opening the sector up to genuine competition. It is generally accepted that *Consumer Directed Care* will be introduced in some form in residential aged care within the next five years.

In community and welfare services, the implementation of reform measures proposed by the McClure Report has largely stalled as the government has failed to implement many of its cost saving measures through the Federal Parliament. However it is clear that the government is committed to reform which simplifies the welfare payment system and which prioritises positive employment outcomes. Wherever we look in government-funded services, money is tight and will increasingly be so. In recent years competitive tendering for government funding contracts has placed increasing pressure on organisations to lower overheads to a level that for smaller organisations is becoming unsustainable. Service efficiency and value for money services are essential.

Greater scale will be an essential platform moving ahead to ensure that Anglicare and ARV ministries not only survive, but can continue to grow in their reach and effectiveness.

Our serious future competitors will be 'for-profit' service providers who have access to capital for growth. ARV and Anglicare have no access to capital markets so must work with capital accumulated through history. The good news is that through effective stewardship there is a considerable capital base to work with. Merger means that the combined equity can be used most effectively.

It is important to understand the strength of competitive forces as these market changes unfold. There are five large national residential aged care service providers: Bupa, Estia, Regis, Opal and Japara. About 180,000 people live in aged care homes and in 2009 these five operators held licences for 9,000 aged care places. In 2015 they collectively held 25,000. Each of them is working towards 10,000 residents. In residential aged care, ARV has significant scale, 1,700 places, but Anglicare, with 450 places, will be challenged by the future investment required in building standards, technology and specialist resources. Together, ARV and Anglicare are second in size in Greater Sydney and the merger would position the organisation to continue to hold this significant presence.

National players have emerged in HomeCare services – Silverchain, Feros, St Ives are names barely known in NSW five years ago but they have been very successful nationally and are growing rapidly. Neither ARV (1,100 clients with government-funded packages) nor Anglicare (400 clients) currently has sufficient scale in HomeCare operations to drive the cost structures necessary to be a leading player in the new environment. Moreover, it is most unlikely that Anglicare's HomeCare operations would survive the industry changes planned for February 2017 because its scale will not enable it to invest in the systems needed in the new age of Consumer Directed Care.

In the non-aged care welfare space, there has also been significant change in the landscape of service provision, particularly in the disability sector as a consequence of the roll-out of the National Disability Insurance Scheme (NDIS). The roll-out of the NDIS has seen the merger of small disability service organisations and it is expected that this trend will continue as organisations seek to survive by building scale and efficiency in a system where unit pricing is strictly regulated. Many disability organisations from NDIS launch sites have commented that they have not been able to operate in a sustainable manner to date. A number of organisations that have to date provided some disability services (as a small part of a suite of services) have made decisions to withdraw from disability service provision. Anglicare itself has reduced the scope of its disability services as a consequence of the introduction of the NDIS, to concentrate in areas where it has greater capability, notably certain services connected with children and youth.

Increased scale means that there is a much better prospect of thriving in the increasingly competitive environment.

- Scale means greater capability at board and executive levels
- Scale increases capability to invest in the systems needed to compete effectively
- Scale means more opportunities to be innovative in service delivery
- Scale means higher capability in support functions, such as quality, learning & development and recruitment
- Scale increases the capital base for growth and renewal

Increased scale brings a higher profile and greater influence. The broad range of aged and community services means that the name and brand of the merged organisation will be widely promoted and widely known. This increase in profile, brand recognition and presence will be crucial as we operate in this more competitive marketplace. Increased scale will also enable a merged organisation to build upon the strong track record of effective advocacy to government on behalf of the most vulnerable.

ARV and Anglicare have no better opportunity to increase scale than to merge.

Success in this competitive marketplace will enable the Diocese to continue to provide services to those vulnerable, "at the margin" people who are experiencing hardship and exclusion. There is a vital role for gospel-driven care organisations to play in achieving sustained and effective solutions for marginalised people in our community.

A Case in Point – HomeCare

Anglicare's HomeCare operations comprise 400 HomeCare clients, CHSP funding and other services, such as respite, therapy and social support programs, for around 3,500 clients with 16 day centres. Total annual revenue is $19 million. ARV's HomeCare operations comprise 1,100 HomeCare clients, CHSP home support funding and 4 day centres. Total annual revenue is $31 million.

Both organisations are threatened by the increasingly competitive market under Consumer Directed Care and the February 2017 changes when funding for HomeCare packages will go directly to consumers. In July 2018 the same funding changes will occur for CHSP services. Succeeding in this new competitive market requires lower administration costs, valued high quality services, a high profile and effective marketing.

ARV has plans to reduce HomeCare administration costs from 27% of revenue towards the 15% required to be competitive. This primarily results from creating a centralised operational support area, reducing regional infrastructure and becoming more mobile and efficient through technology. Other plans work on service revenue - introducing new services, growing services into retirement villages and leveraging off complex care abilities.

Anglicare in its own right has similar plans but will be unlikely to achieve comparable efficiencies due to its smaller size of like operations. Operating alone, Anglicare's continuing presence in HomeCare will be threatened in this changing environment because its cost base is high and it doesn't have the scale to invest in systems and technology necessary to compete.

Merging Anglicare's and ARV's HomeCare operations yields significant benefits. All operations can be supported by a new centralised structure and systems and duplication of systems and operating costs would be avoided. Costs would be spread over a bigger service load. The merged organisation would compete effectively, giving confidence about a continuing significant presence in HomeCare services.

There are other key merger benefits. Anglicare has a really strong position in this market despite its smaller scale – it is a profile on which the merged operations can be very effectively built. The broader geographic coverage gives greater scope to service the merged organisation's retirement village residents. Importantly, the combination of ARV's scale and capability in HomeCare services with Anglicare's strength in day centre operations means a more rounded service offer and one that can be promoted and marketed to good effect.

HomeCare is indeed a case in point. We can expect that we will be challenged in future years in a similar way in residential aged care services and in community services generally.

Greater Capability by Streamlining Costs

Removing duplication

A merger provides the opportunity to reduce costs in support services and management. There will be one executive team for the merged organisation and consolidation of support centre teams in areas such as Finance and Accounting, Human Resource Management and Information Technology.
Cost reduction is also possible in areas such as Procurement. It is anticipated that the merged organisation will require about 50 fewer positions in support functions.

Protecting HomeCare margins

In the emerging competitive environment of consumer choice and user pays, the cost of administration is becoming increasingly visible to consumers and one of the key considerations in choosing a provider. This is already the case for HomeCare services. The synergies and savings from combining management structures and support services would reduce the cost of administration relative to revenue, increasing competitiveness, and releasing funds to provide services for those we exist to serve. In the absence of these savings there would be a significant deterioration in financial results and very likely a loss in market position.

Adopting best practice

A merger of the two organisations provides the opportunity to adopt the best practices of both organisations. An example of this will be incorporating ARV's established processes for optimisation of government income in aged care, and well developed practices for monitoring movements in real estate values and making adjustment to accommodation pricing in retirement living and residential aged care. Another example would be incorporating Anglicare's Retro Paid Loss scheme for managing workplace safety and workers compensation claims under the WHS Act which has saved the organisation millions of dollars in insurance premiums over the last four years. The application of best practice from both organisations' operations will result in an increase in effectiveness.

The overall financial benefit

The impact of the above measures is estimated as an annual benefit of $11 million, inclusive of the retention of HomeCare margins that would otherwise be lost. There is a one-off cost of $9 million associated with merger restructure. The largest elements of this are rebranding costs and redundancy costs that are expected to be about $3 million each.

Offsetting these savings, there is a need to adopt a single Enterprise Agreement for the merged organisation and this will involve considerable cost of up to $5 million per annum. The majority of this cost results from Anglicare rates of pay being generally lower than ARV's rates. Regardless of which approach to Workplace Agreement renewal is taken, there will over time be a significant cost associated with the obligation to bring Anglicare's pay rates into line with ARV's.

In summary, the merger facilitates significant financial benefits:

- Enhanced efficiency through revenue optimisation
- Fewer staff and other cost savings as duplication is addressed
- Building the capability to invest in innovation and service enhancement which means that the organisation does not just do more but it will also do it better and more effectively

Our Purpose

The three strategic benefits already described are of great significance and are built on the foundation of ARV and Anglicare having a common purpose. This common purpose provides an opportunity to reset the social service purpose and strategy so that we are more effective as we reach out with mission-minded and gospel-focussed ministries.

The merger is a major catalyst to share the love of Jesus in a very meaningful way. We are better together.

Recent work on the proposed purpose of the merged organisation shows the extent to which the activities that come together have a common foundation – that all we do is governed by our purpose to be compassionate and to share the love of Jesus.

We recognise that the people we serve have needs in common – needs for security, dignity and a sense of belonging. We see the themes that run through all we do – they are the themes of 'home' and 'community'. These are our strong suits because both Anglicare and ARV have been in the business of supporting people at home and in the community for many years and we have a wonderful base on which to build. Our service revolves around our ability to offer a home as a safe place to live – and to support people to stay in their home. We make ourselves known to the people who need our services by playing a key role in communities – through "Op Shops", contact through parishes, emergency relief and through advocacy. We are certainly better together.

Our Purpose

We are a Christian organisation with a heritage of service spanning more than 160 years.

We hold true to our Christian motivation while we adapt to meet the changing needs of our society.

We exist to serve our community, enrich life and demonstrate the love of Jesus.

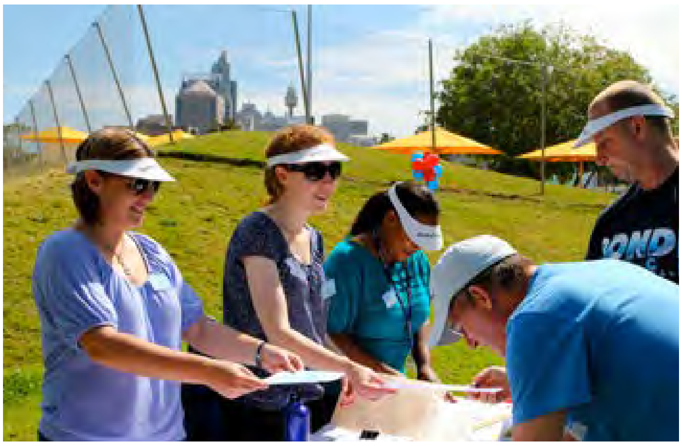
We seek to share the gospel of Jesus Christ as we love and serve those who are vulnerable, marginalised or ageing, respecting and valuing each and every person as made in the image of the living God.

We offer life-enriching care for each person, meeting material, physical, emotional, social and spiritual needs.

And we do this in partnership with others, providing a range of services that promotes dignity, safety, participation and wellbeing for people in their relationships, homes and communities.

Name and Branding of the Merged Organisation

The identity, brand and naming of the merged organisation will be a vital part of the merger process. Research and consultation is already underway to ascertain the most suitable options and alternatives. Despite negative publicity for Christian denominations in the past two decades, the “Anglican” and “Anglicare” names are respected and widely known for gospel work and activities in education, aged care, community services and advocacy. Our aim is to build a strong legacy and identity for both organisations as a combined force.



What are the Implications if a Merger does not Proceed?

Could ARV and Anglicare continue as they are at present?

There are three key implications to consider if the merger does not proceed which impact both organisations and the people whom we serve.

Firstly, we would fail to grasp the opportunity to reset the ministry and social service agenda to support the Diocesan Mission. We would not be the one strong organisation working alongside churches and with Standing Committee on common objectives. We would miss an opportunity to expand the breadth of services and ministry that would reach into new geographical areas and to different ethnic and cultural groups as we seek to share the love of Jesus and we would limit the development of expertise in ministry to vulnerable people and the ability to share that capability with Sydney Anglican churches. These opportunities could not be grasped in the same way in the absence of a merger.

Secondly, and put simply, two organisations doing similar work means wasted money. Money that can be put to better use by investing in systems for the future or in direct front line services to people in need.

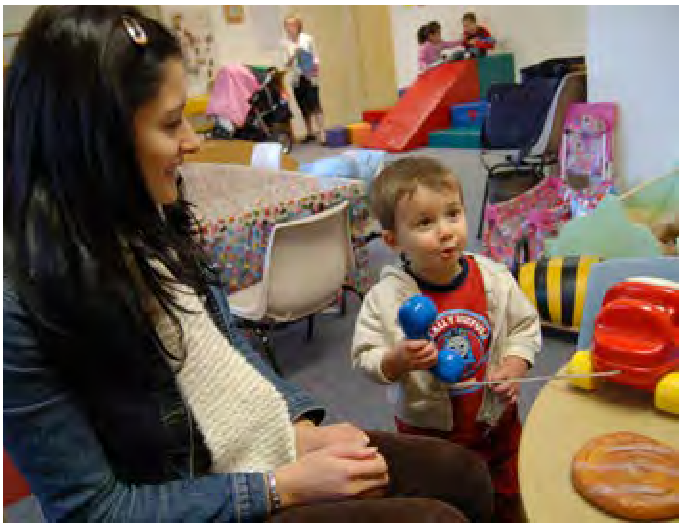
We would not be taking the steps necessary to underpin our services in a more competitive marketplace, and this is particularly important for services provided by Anglicare. Anglicare's disability services are already being scaled back significantly as a result of changes in government policy and funding. Both ARV's and Anglicare's HomeCare services will be under competitive pressures from early 2017. Other Anglican non-aged care community services that are funded by government, like Family Support Services and Out of Home Care, are likely to face the same challenges in the medium term. All of these government-funded services are therefore more vulnerable.

These government-funded services currently generate a margin over their direct costs and that margin contributes to the cost of the support structure required to run Anglicare (support services). In effect, this subsidises the services that are not funded by government revenue, services such as Emergency Relief, Disaster Recovery, Prison and Hospital Chaplaincy and Research and Advocacy (unfunded services). The total contribution currently required to meet the cost of support services is $15.4 million per annum and the contribution to the cost of unfunded services is $8 million per annum.

We estimate that the competitive pressures bearing on Disability, HomeCare and other non-aged care community services will result in an annual reduction of $3.8 million in margin contribution over the next few years. Staff modelling undertaken by Anglicare shows that an equivalent reduction in support costs is not achievable because it would render Anglicare less capable, less competitive and less relevant in a rapidly changing world. Achieving a break even result for the organisation in future years would be dependent on continuing receipts from legacies and continuing returns from investment income. In these circumstances it is likely that there would be pressure to reduce the scope of unfunded services.

These competitive pressures will also be felt by the merged organisation. However, the substantial increase in scale means that support services can be run more efficiently giving greater confidence about its ability to continue and indeed grow unfunded services.

Thirdly and finally, we would not get the non-financial benefits from increased scale. This is particularly important in the context of our profile. The new environment requires us to be visible and 'top of mind' – being the first organisation to turn to when people are in need of security and community. It is especially important that ARV is able to lift its profile to promote its capabilities. Lack of scale will also inhibit investment in systems and the willingness and ability to innovate, because our spending will overlap and be sub-optimal, meaning it will be more difficult to keep up with industry leaders and consumer expectations.



Could Anglicare Sell its Aged Care Operations to Protect its Future?

The Anglicare Council has considered the option of selling aged care assets and operations in 2004 and again in 2014. In 2014, Deloitte carried out a valuation of the Anglicare operations and valued the combined residential aged care, retirement village and HomeCare operations at a net value of approximately $35 million. These operations could be sold to ARV or another organisation, leaving Anglicare to concentrate on its other non-aged care community services.

There would, of course, be significant financial implications. In simple terms, the sale of its aged care operations would affect Anglicare's finances in 2 main ways:

- Anglicare would benefit from the investment earnings on the sale proceeds – about $1.5 million each year
- It would be necessary to significantly downsize the Anglicare support services following the sale of operations that currently generate more than half of Anglicare's gross revenue (and which contribute almost $10 million to support service costs and to unfunded services). A high level review has been undertaken that shows that drastic restructuring could reduce support service costs by $5.5 million. However, this would mean some areas of capability would be lost, the investment in systems to meet future operating needs would not be viable and the quality and capability of executive and management staff would be diminished.

The net impact would put Anglicare into a sustained loss making situation in future years. In the absence of new income sources or increased donations and legacies, this would inevitably mean that unfunded services, the services that are at the heart of Anglicare, would be adversely impacted.

Further, Anglicare would have a lower profile, a lower capability to work throughout the Diocese and diminished growth prospects.

For these reasons this option is not viable.

It is vitally important to appreciate the extent to which the future looks different from the past. In proposing that ARV and Anglicare are merged we are taking steps to respond to this more uncertain future.

Merged Operations

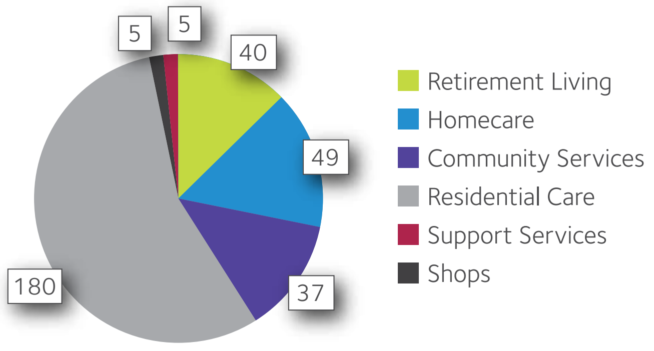
In retirement living and residential aged care services, the merged organisation would operate 22 residential care homes serving 2,180 people, 22 retirement villages serving 2,530 people and would provide service to 1,500 people in the HomeCare program and in excess of 6,000 people in CHSP funded programs provided in home and through 20 day and respite centres.

A key feature of the merged organisation will be its ability to carry forward the legacy of over a century of aged care and non-aged care community service delivery in a way that addresses the specific challenges and needs of Greater Sydney in the coming decades. The current scope of community services will continue although it should be recognised that Anglicare periodically conducts strategic assessments of each of its service lines based on parameters of capability, community need and ministry effectiveness. This process is envisaged to be a necessary attribute of conducting services that are tailored to meet needs, achieve transformational outcomes and be affordable to deliver. However, a merged organisation with a more streamlined support structure will provide a competitive edge for community services, particularly in the area of competitive tendering for government contracts.

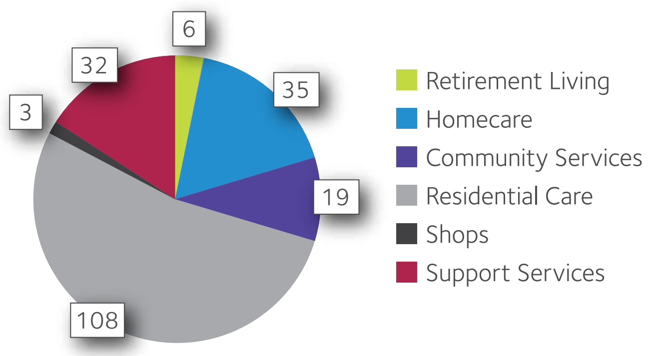
A merged organisation would augment ARV's already significant chaplaincy ministry with Anglicare's chaplaincy programs across hospitals, prisons, juvenile justice facilities and mental health facilities, as well as Anglicare's Social Policy Research and Advocacy functions. ARV's long standing practice of providing subsidised accommodation to retired Sydney clergy and missionaries would continue unaffected.

The following charts show the composition of activity of the merged organisation. It is clear that aged care services dominate. However, this takes nothing away from the significance of other community services because they are at the 'sharp end' in terms of community need and opportunity for ministry to the vulnerable.

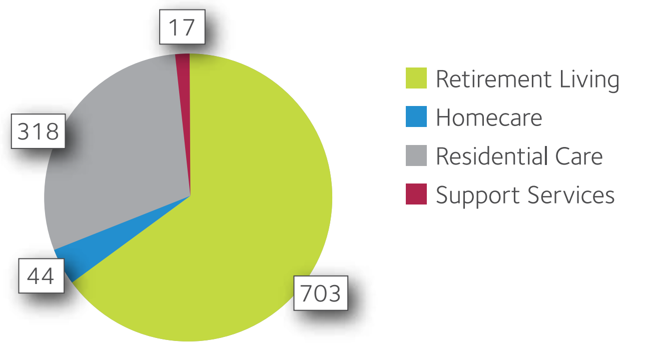
Revenue $m



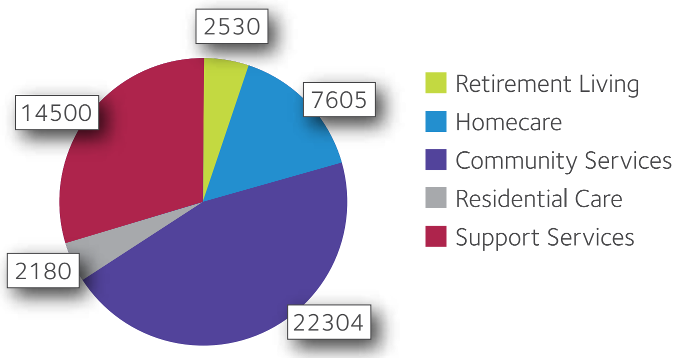
Staff Costs $m



Assets $m



Clients



The Strategic Opportunities

The current strategic plans of ARV and Anglicare identify major work programs. These plans continue but the merger itself offers new strategic opportunities and these are collectively summarised below. This strategy blueprint is clearly a full agenda and one that will firmly set the merged organisation on its missional path.

Ground our services in our purpose	• Prayer platform established and effective • Anglicare's "Christian Care" training continuum is deployed and embedded across the practice of all services • All services continually evaluated and transitioned for maximum potential for compassion and ministry • Invest proportionately in ministry staff – 1.5% of revenue • Widespread parish partnerships – mobilise volunteers and equip them for pastoral ministry • Ministry capability developed for culturally and linguistically diverse (CALD) areas • Ministry expertise with age related situations – for example dementia, "shut-ins"
Equip our people for service	• Recruit the best with effective tools • Set and meet diversity targets – gender and ethnic • Programs for high staff engagement • Capability – invest in leadership development, effective performance management • Move staff to a consumer directed/commercially aware culture through training and coaching • Safe working environment continually improves outcomes
Grow and improve our services	• ARV's care model "Rhythm of Life" implemented fully throughout residential services • "Rhythm of Life" equivalent for all client services • Identify and invest in opportunities to serve the needs of more vulnerable clients • Built environment – renewal of old aged care homes and retirement villages to standard • Complete planned $730 million pipeline property developments • Build property pipeline for development in 2020s • Technology leader in our space to improve service to residents and clients • Build advocacy capability for key client groups, especially vulnerable and socially excluded

Expand our services	• New services into low socio-economic areas • Well developed "front-end" introduction to services for example through parish partnerships, "Op Shops" • Significant HomeCare service growth through effective marketing, excellent service and efficient operations • Accommodation and service for vulnerable people – at risk of homelessness' crisis accommodation, day and overnight centres
Resource our services	• Efficiency through adoption of technology • Financial disciplines – financial return and performance expectations for all programs and activities • New income streams – for example fee for service, community housing provider

Financial Outlook

Pro-forma financial information (financials) has been prepared for the four years through to 2020 and is included as Appendix within this report. The financials include the synergies discussed previously and the one-off costs of achieving the merger. This information is based on budgets and forecasts prepared by Anglicare and ARV in 2015 and it is planned to update these budgets and forecasts over the next few months in readiness for the commencement of operations.

	FY17 ($m)	FY18 ($m)	FY19 ($m)	FY20 ($m)
Total Revenue	322	333	367	398
EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)	32	50	63	72
Operating surplus	(2)	10	16	20
Operating cash flow	13	29	40	46
Net cash flow	21	(59)	43	57
Capital expenditure	199	223	184	222
Cash and investments	408	350	393	449
Accumulated funds (equity)	**297**	**308**	**324**	**344**

Important observations about the forecast include:

- FY17 EBITDA of $32 million includes merger restructuring costs of $9 million
- After FY17, EBITDA shows healthy growth
- Net cash flow is subject to the major influences of property development outlays and receipts from 'sale' of newly developed property. The timing of these cash flows means there is a net cash outflow in FY18
- Capital expenditure over the four years totals $828 million, of which $730 million is development capital. There is an increase in the balance of cash and investments over the period.

Overall, this financial position will enable the merged organisation to pursue its strategies in keeping with its purpose and its mission.

What is the Future for Anglicare's services in an Aged Care Dominated Organisation?

About 40% of Anglicare's revenue is derived from operations that are broadly categorised as community operations and about 60% is derived from aged care operations. Within community operations are government-funded programs like Disability and Mental Health Services, Family Services and Out of Home Care. Anglicare's involvement in these services has changed over time and will continue to change as community needs and funding structures change.

The non-funded and partially funded community services are at the very heart of Anglicare - like Emergency Relief, Prison & Hospital Chaplaincy, Disaster Recovery Services and Research & Advocacy for society's marginalised.

These are the services that the merged organisation plans not only to sustain but to grow, reaching more people with compassion and with ministry. How can we be sure about this?

- Service to the vulnerable and the marginalised is at the heart of the purpose of the merged organisation, written into its constitution
- It is the key to relationships with parishes and the main area of opportunity to work with parishes
- These unfunded services greatly assist with the development of the organisation's profile – Advocacy and Emergency Relief in particular reach a very large number of people and this profile is so important to the full range of services provided by the merged organisation
- Fund raising and legacies are directed to these unfunded services
- Business principles have been proposed that see an income stream from investments set aside for unfunded services

Financial forecasts show that there is scope to develop new programs to address emerging needs among the vulnerable and marginalised and this would be the case with the adoption of the principles outlined above.

It is important that the merged organisation is accountable to and reports regularly to Standing Committee and Synod on the continuing effectiveness of this crucial area of operations. And it is important that Standing Committee holds the merged organisation accountable, for example by reviewing annual objectives and calling for regular reporting against those objectives. This is an opportunity to align the objectives of the major Diocesan agency and the Diocese through very meaningful engagement between Standing Committee and the new organisation. This level of engagement has not previously been the case for either Anglicare or ARV.

What are the implications for Anglicare's involvement with victims of child abuse?

For many years Anglicare has responded to claims arising from past incidences of child abuse perpetrated in institutions operated by the Church of England Homes and the Sydney Anglican Home Mission Society. Standing Committee has recently resolved that the Synod should not allow the structure of the Diocese and Diocesan organisations to be an impediment to meeting legitimate obligations associated with Anglicare, particularly those arising from historic child abuse claims. Anglicare will continue to respond to such claims and the arrangements that will enable Anglicare to do so are described in a later section of this report.

Risk Assessment and Mitigation

Importantly, a merger risk register and assessment has been prepared. The following key risks have been considered:

- The two cultures may not combine as effectively as anticipated
- There is loss of key personnel due to uncertainty
- Distraction is caused by the merger with a disruption to business continuity
- There is a lack of effective change management meaning merger benefits are not achieved
- Alienation of stakeholders – donors, volunteers, residents
- Delay in the approval process, including regulatory approvals
- Systems integration is problematic

Controls for risk mitigation have been identified as follows:

- Board oversight of the merger integration program
- Establishment of a Merger Program Office
- Clarity at the time of merger on key areas such as branding, vision/mission/values and organisational structure
- A comprehensive communications plan, including feedback loops with staff and stakeholders using consistent messaging
- Training in change management and effective communications
- Disciplined timetables and outcome measures

How the Merger would Proceed

The proposed legal structure for the merger, which has been reviewed by legal firm Ashurst, in substance involves the transfer of Anglicare's assets to ARV through a variation of trusts, with a concurrent provision of an indemnity from ARV to Anglicare for liabilities which are not readily capable of transfer to ARV. The merged organisation will therefore be operated by the existing ARV entity.

ARV will assume Anglicare's statutory liabilities under government aged care legislation (resident deposits) and under the Retirement Villages Act (resident loans). The intention is that other liabilities will remain with Anglicare and be covered by the indemnity, including accounts payable and historic employee provisions. Contingent or potential liabilities, including potential future child abuse claims, will also be covered by the indemnity.

ARV will indemnify Anglicare against its liabilities (actual and contingent) for an amount to be determined by reference to the enterprise value of Anglicare at the date of transfer of the assets. This amount will be indexed. This value will be established by independent valuation. This method of setting the indemnity has been reviewed by legal advisers.

Based on actuarial advice from Price Waterhouse Coopers (PwC) about the extent of the future liability for child abuse claims and the enterprise market valuation conducted by Deloitte in 2014 of Anglicare, the indemnity:

1. will be established at a value that is expected to be a multiple of the estimated value of the actual and contingent liabilities and
2. will be adequate to meet any future claims such as those arising from incidences of past child abuse, which occurred either in the Sydney Anglican Home Mission Society or in the Church of England Homes, from both a legal and moral responsibility perspective.

This indemnity approach is designed to ensure that the position of victims of abuse is, as far as can be achieved in practice, the same as if Anglicare had continued to operate in its own right.

Further information about the legal mechanism to achieve this merger of operations will be provided with draft ordinances as part of the main mailing to Synod members.

Who is Responsible for Moving this Forward?

The Anglicare Council and ARV Board recommended processes for both board selection and CEO recruitment. These recommendations have been considered by the Archbishop and Chairman designate and a separate report has been prepared that covers these matters.

Next Steps

It should be noted that the assets of ARV and Anglicare can be used only in furthering purposes of public benevolence as required under charity and tax law and as articulated in the objects of the two organisations, not for any other purpose. The framers of the merger proposal have been acutely aware of this need.

As noted already, the preferred transaction structure envisages a transfer of assets from Anglicare to ARV. This transaction anticipates an in principle approval of the merger proposal being sought from Synod, followed by actions of Standing Committee, in passing ordinances and resolutions to effect this merger proposal.

The ordinance of ARV will need to be amended, expanding the objects of public benevolence to reflect the broader scope of activities that the organisation will conduct as a consequence of the merger.

Assuming Synod approval, rulings and consents from the ACNC, NSW Office of State Revenue and ATO will be sought. Various consents from government funding bodies and licensing authorities will also be sought.

As the rulings and consents from the various authorities are critical, it is envisaged that the entry into force of the ordinances will be conditional upon all the necessary rulings and consents having been obtained.

Conclusion

We strongly recommend the merger to Synod. It is our belief that merger will achieve the following benefits.

- Create a powerful agency working alongside parishes in hard to reach communities, sharing the gospel with vulnerable people in great need
- Position our crucial work to succeed in a rapidly changing service environment and having the scale to innovate and invest
- Establish increased profile, effective in promoting services and prominent in promoting our beliefs
- Provide a pre-emptive response to the competitive and funding pressures that we anticipate, which would otherwise negatively impact, particularly on Anglicare's activities
- Enable growth in service and ministry to the marginalised and socially disadvantaged
- Deliver savings from removal of duplicated support structures and adoption of best practices

Grant Millard | Rob Freeman
March 23, 2016

Appendix

Appendix – Pro-forma Financials 2017-2020 Consolidated

Financial year Financial units	FY17 $m	FY18 $m	FY19 $m	FY20 $m
INCOME STATEMENT				
INCOME				
Resident + Client Fees	66.4	69.5	76.2	81.7
Accommodation	17.2	22.4	26.1	29.1
Subsidies	195.5	197.3	217.5	233.9
Lease DMF* income	33.2	33.7	36.3	41.0
Other	9.1	9.9	11.3	11.9
Total income	**321.5**	**332.9**	**367.4**	**397.6**
EXPENDITURE				
Salaries & wages	(202.6)	(206.4)	(222.9)	(239.1)
Operations	(84.8)	(83.1)	(87.8)	(92.5)
Depreciation	(48.6)	(52.9)	(59.9)	(66.8)
Total expenditure	**(335.9)**	**(342.4)**	**(370.6)**	**(398.4)**
Gross profit	**(14.4)**	**(9.5)**	**(3.2)**	**(0.8)**
OTHER INCOME & CHARGES				
Restructuring Cost	(8.6)	–	–	–
Legacies/Fundraising	6.2	6.2	6.2	6.2
Interest income	14.7	13.4	13.1	15.1
Total other income & charges	**12.4**	**19.6**	**19.3**	**21.3**
Operating surplus/(deficit)	**(2.1)**	**10.0**	**16.0**	**20.4**
EBITDA	**31.8**	**49.5**	**62.9**	**72.2**
CASH FLOW MOVEMENT				
Operating surplus/deficit	(2.1)	10.0	16.0	20.4
Add: depreciation	48.6	52.9	59.9	66.8
Lease DMF income	(33.2)	(33.7)	(36.3)	(41.0)
Operating cash flow	13.3	29.2	39.7	46.2
Capital Expenditure	(199.2)	(223.3)	(184.3)	(221.6)
Property sales	11.6	–	–	–
Capital receipts – residents	195.4	135.6	187.3	232.0
Net cash flow	**21.1**	**(58.5)**	**42.6**	**56.7**
BALANCE SHEET				
Cash and Investments	408.2	349.8	392.5	449.2
Fixed assets	1,232.9	1,403.3	1,527.6	1,682.3
Resident loans	(1,326.8)	(1,428.7)	(1,579.6)	(1,770.6)
Other assets/(liabilities)	(16.9)	(16.9)	(16.9)	(16.9)
Net assets	**297.4**	**307.5**	**323.5**	**344.0**

* deferred management fee

Appendix – Pro-forma Financials 2016 ARV and Anglicare

Financial year 2016 Financial units	ARV $m	Anglicare $m	Consolidated $m
INCOME STATEMENT			
INCOME			
Resident + Client Fees	46.3	19.1	65.4
Accommodation	11.3	3.2	14.5
Subsidies	121.9	79.2	201.1
Lease DMF* income	26.1	1.1	27.2
Other	6.4	1.7	8.0
Total income	**212.0**	**104.2**	**316.2**
EXPENDITURE			
Salaries & wages	(132.2)	(70.0)	(202.3)
Operations	(46.1)	(36.1)	(82.2)
Depreciation	(37.4)	(6.1)	(43.5)
Total expenditure	**(215.7)**	**(112.2)**	**(327.9)**
Gross profit	**(3.7)**	**(8.0)**	**(11.7)**
OTHER INCOME & CHARGES			
Legacies/Fundraising	0.8	5.4	6.2
Interest income	9.5	5.3	14.8
Total other income & charges	**10.3**	**10.7**	**21.0**
Operating surplus/(deficit)	**6.6**	**2.7**	**9.3**
EBITDA	**34.5**	**3.5**	**38.0**
CASH FLOW MOVEMENT			
Operating surplus/deficit	6.6	2.7	9.3
Add: depreciation	37.4	6.1	43.5
Lease DMF income	(26.1)	(1.1)	(27.2)
Transfers to/(from) reserves	–	(1.0)	(1.0)
Operating cash flow	17.9	6.7	24.6
Capital Expenditure	(223.4)	(8.2)	(231.5)
Prepaid government income	–	(4.7)	(4.7)
Property sales	15.0	13.0	28.0
Capital receipts – residents	149.1	1.5	150.6
Net cash flow	**(41.3)**	**8.2**	**(33.1)**
BALANCE SHEET			
Cash and Investments	276.1	110.9	387.0
Fixed assets	972.0	110.3	1,082.3
Resident loans	(1,084.9)	(79.7)	(1,164.6)
Other assets/(liabilities)	(3.4)	(13.5)	(16.9)
Net assets	**159.8**	**128.0**	**287.8**

* deferred management fee

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Anglican Retirement Villages Diocese of Sydney ABN 39 922 848 563.

Board selection and CEO recruitment

(A report from the Archbishop and Mr Greg Hammond OAM)

Background

1. In recommending the merger proposal to Standing Committee, the Anglicare Council and the ARV Board outlined proposals for:

   (a) the selection of a new board for the merged organisation; and
   (b) the recruitment and selection of a Chief Executive Officer (**CEO**) for the merged organisation.

   The process for selecting a new board was to be overseen by the Archbishop, and the process for the recruitment and selection of a CEO was to be overseen by the new board. This report outlines the work undertaken to date.

Selection of a new board for the merged organisation

2. If the proposal to merge ARV and Anglicare is approved, it is proposed that a new board be established for the merged organisation. The new board will consist of up to 11 members:

   (a) the Archbishop would appoint three persons;
   (b) the Synod would elect six persons; and
   (c) up to two could be appointed by the new board itself.

   The Archbishop would be the President of the merged organisation (but not a member of the new board).

3. In addition, as part of the transitional process, it is proposed that the Archbishop would choose the new chairman and the initial Synod elected members would be selected from the existing members of the Anglicare Council and the ARV Board (three from each).

4. The Archbishop has proposed Mr Greg Hammond OAM as chairman for the merged organisation, effective 1 July 2016. The chairman designate was asked to conduct and facilitate discussions with the Archbishop and the existing members of the Anglicare Council and the ARV Board to determine the members' interests in continuing participation in either the new board of the merged organisation, or committees of the new board. Executive search firm, Korn Ferry, was engaged to assist the chairman designate and the Archbishop.

5. In addition to considering the skills recommended by the Anglicare Council and the ARV Board as being required for the new board (see paragraphs 9 and 10 below), the following matters were taken into account:

   (a) requirements of the Diocesan Governance Policy for new board members were confirmed;
   (b) personal attributes for working co-operatively as a board;
   (c) gender and age diversity;
   (d) the current ministries undertaken by Anglicare and ARV in supporting the Diocesan Mission, reaching into the community and ministering to and sharing the gospel with the recipients of their care and service; and

(e) the inclusion of persons with particular knowledge of (i) the corporate history and culture of both organisations, and (ii) the financial position of Anglicare and ARV.

6. As a result of this process, the six persons selected as members of the new board from the existing members of the Anglicare Council and the ARV Board are:

(a) Mr Michael Clancy, Mr Martyn Mitchell and the Rev Margaret Powell from the Anglicare Council; and
(b) Bishop Chris Edwards, Mrs Laura Elder and Mr Ian Steward from the ARV Board.

7. In addition to Mr Hammond, the Archbishop has invited Mr Peter Hicks and Dr Linda Kurti to become members of the new board.

8. Each of them has valuable skills which will contribute significantly to the oversight of the ministry and operations of the merged organisation. Summary résumés for the proposed members of the new board are included in the Appendix to this report.

9. The skills of the new board include the following skills recommended by the Anglicare Council and the ARV Board:

(a) Christian ministry (two clergy), in particular Diocesan leadership, and parish and pastoral ministry;
(b) financial accounting (ACA, CPA), including investment management;
(c) property development and construction, and property finance;
(d) social welfare / social services;
(e) medical, clinical innovation and standards, health policy; and
(f) general business, legal, risk and corporate governance.

10. In considering persons to be appointed by the new board itself, other skills recommended by the Anglicare Council and the ARV Board (for example, technology, innovation and information technology) will be taken into account.

Term of office of members of the new board

11. It is proposed that the term of two of the Synod elected members (initially the continuing members), and one of the Archbishop's appointees, expire at the end of each ordinary session of Synod (commencing with the first ordinary session of the 51st session, which is expected to be held in October 2017). The order in which particular members' terms expire will be determined in due course.

Board committees

12. A number of committees will be needed: for example, Audit & Risk; Finance & Property; Clinical Governance & Innovation; Ministry & Parish Partnerships; Welfare; and, Governance & Nominations. These committees would have a maximum six members each, with appropriate representation from the board. There would also be the opportunity to co-opt people with relevant experience and interest in core areas of operations.

13. Many of the current members of the Anglicare Council and ARV Board who will not be serving on the new board of the merged organisation also have valuable skills which could contribute significantly to the oversight of the ministry and operations of the merged organisation. Mr Hammond, as chairman designate of the new board, has been meeting with those members of the Anglicare Council and ARV Board to, among other things, ascertain their interest in participating in one or more committees of the new board.

Chief Executive Officer

14. If the proposal to merge ARV and Anglicare is approved by Synod, it is proposed that an externally facilitated search process would be undertaken for the appointment of a new CEO for

the merged organisation. If Synod approves the merger, the process will commence as soon as practicable and will be overseen by the new board.

15. Grant Millard, the CEO of Anglicare, has indicated that he will participate in this process. Rob Freeman, the CEO of ARV, will not participate but has expressed a willingness to continue to serve as CEO during the period of merger integration and induction of the new CEO, if required.

16. Korn Ferry has been engaged to assist in the recruitment of a new CEO. Mr Hammond, as the chairman designate of the new board, has been asked to take the lead role in co-ordinating the process for the recruitment and selection of the new CEO. The Archbishop will be fully consulted on the recruitment and selection processes.

Archbishop Glenn Davies
Greg Hammond OAM

14 March 2016

Appendix – summary résumés of new board members

Mr Greg Hammond OAM - Greg has over 30 years' experience as a lawyer specialising in banking, international finance and the governance, supervision and regulation of Australia's financial system, and more than 20 years' experience serving on not-for-profit and commercial boards. He was a partner of King & Wood Mallesons for over 27 years, and since retiring from the firm in 2014 has taken up a number of board roles in the banking and not-for-profit sectors. He is also a member of the Glebe Administration Board, the Sydney Diocesan Secretariat and the Archbishop of Sydney's New Churches for New Communities Committee, and a member of the Parish of Macquarie.

Mr Michael Clancy - Member of Anglicare Council for over five years, chair of the Investment committee, and a member of the Governance committee, of the Anglicare Council. Chief Executive Officer, Qantas Superannuation Limited and previously Executive General Manager, Investment Platforms, MLC. Michael has been a member and parish councillor at Cherrybrook Anglican Church for much of the past 15 years. He has 20 years' experience in the investment industry as both an investment practitioner and business leader. In these capacities, Michael has developed strong governance, financial and analytical skills.

Bishop Chris Edwards - Member of the ARV Board since 2014, and a member of the Christian Witness and Nomination and Governance committees of the ARV Board. Prior to his theological studies he worked in finance and marketing. He served in the parish of Engadine followed by the Holy Trinity Adelaide where he stayed from 1994 until 2000. Between 2000- 2007 he was the founding minister at the Trinity Hills church plant in the Adelaide hills before he went overseas to serve as Chaplain (Vicar) of St Paul's Tervuren in Belgium. Upon returning to Australia in 2012 he worked as the Director of Mission for ARV, until his appointment as Bishop of North Sydney.

Mrs Laura Elder – Member of the ARV Board since 2013, and chair of the Audit and Risk committee of the ARV Board. She is a Chartered Accountant and has professional experience in a variety of finance roles for listed and unlisted property corporations. Mrs Elder holds a commerce degree from UNSW and a diploma from Moore Theological College. She is a graduate member of the Australian Institute of Company Directors and a member of St John's Asquith.

Mr Peter Hicks – Peter is head of Asset Management for CP2, managing some of Australia's largest private transport assets. He was previously CFO of Leighton Contractors. He possesses deep commercial, building and financial experience and more than ten years' experience as a board member on several not-for-profit and commercial boards. He is chairman of SCEGGS Darlinghurst and a member of St Thomas' North Sydney.

Dr Linda Kurti – Linda is Director of Economic and Social Advisory at Urbis, an Australian consulting firm, and in that capacity advises state and federal governments on a range of public policy issues, including health, aged care, and community services. Prior to joining Urbis, Linda was the Executive Director of the Anglican Board of Mission - Australia, where she had previously served on the Board. Originally from the United States, Linda holds qualifications in music, theology, counselling and public health and has worked in health research and advisory roles in England and Australia. She attends St Luke's Mosman.

Mr Martyn Mitchell - Member of Anglicare Council since 2011, and chair of both the Audit and Risk and Finance committees of the Anglicare Council. Martyn had over 30 years' experience as a Chartered Accountant with PricewaterhouseCoopers in a variety of senior positions including 20 years as a partner. He was a member of the General Synod's Diocesan Financial Advisory Group (2008-15) and has been a director of Sydney Anglican Schools Corporation since 2014 and Treasurer of St Matthew's Manly since 2010.

The Rev Margaret Powell - Member of Anglicare Council since 2009. Diocesan Cross Cultural worker. Formerly Associate Minister at St Paul's Castle Hill (1993-2007). Prior to that was a medical doctor with experience in both hospital and general practice. Chair of Ethics committee for SW IVF clinic (1998-2002). Member of Good Shepherd Anglican Church at Greenacre, Georges River Regional Council (2008-present) and Chaplain to Students at Moore Theological College (2009-present).

Mr Ian Steward – Member of the ARV Board since 2008, chair of the ARV Board since 2014 and a member of the Audit and Risk, Finance and Resources and Nomination and Governance committees of the ARV Board. He is a member of Waitara Anglican Church. He is also a member of the Finance Committee of Standing Committee, a member and Treasurer of the Northern Regional Council of the Diocese of Sydney and Treasurer of St Andrew's Lakemba. He is a Chartered Accountant and has had careers in chartered accountancy with KPMG and senior commercial and finance roles, including CFO of a major multinational logistics business.