

# **2016 Special Session of Synod**

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

Standing Committee of the Synod  
Anglican Church Diocese of Sydney



## 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 –

- (a) the indemnity provided by ARV to Anglicare ensures 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,
- (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

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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

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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
<b>Structure/sale issues</b>	
<p>1. <b>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?</b></p>	<p>Information regarding cost savings from the merger are detailed on pages 13 and 14 of the <i>Merger Considerations</i> 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).</p> <p>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).</p>
<p>2. <b>May we have a breakdown on the types of facilities within Anglicare's aged care portfolio, based on:</b></p> <p>(a) Shared room vs private room?</p> <p>(b) Ensuite vs shared bathroom?</p> <p>(c) Age of each facility and time since last refurbishment?</p>	<p>See <i>Appendix 1</i>.</p>
<p>3. <b>In the last three years has Anglicare been approached by external parties interested in securing its aged care assets?</b></p>	<p>No.</p>
<p>4. <b>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?</b></p>	<p>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).</p>

Question	Answer
<p>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)?</p>	<p>This question is addressed in the material provided in <i>Appendix 2 - Options other than a merger</i>, 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.</p>
<p>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)?</p>	<p>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.</p> <p>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</p> <p>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.</p> <p>Page 12 of <i>Merger Considerations</i> 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.</p>
<p>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?</p>	<p>Yes. Shared services alone would not achieve the same benefits of mission, scale and streamlining costs as a merger would achieve.</p>

Question	Answer
<b>Welfare Services</b>	
<p><b>8. How will the Anglicare welfare services be maintained and strengthened in the new organisation?</b></p>	<p>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.</p> <p>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).</p> <p>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).</p>
<p><b>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?</b></p>	<p>Page 25 of <i>Merger Considerations</i> 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.</p>
<p><b>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?</b></p>	<p>The ‘financial forecasts’ mentioned on page 25 include the Pro-forma Financials 2017-2020 at page 31 of the <i>Merger Considerations</i> 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).</p>
<p><b>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?</b></p>	<p>Increased scale means that there is a much better prospect of thriving in the increasingly competitive environment.</p> <ul style="list-style-type: none"> <li>• Scale means greater capability at board and executive levels</li> <li>• Scale increases capability to invest in systems needed to compete effectively</li> <li>• Scale means more opportunities to be innovative in service delivery</li> <li>• Scale means higher capability in support functions such as quality, learning and development and recruitment</li> <li>• Scale increases the capital base for growth and renewal</li> </ul> <p>(p.12)</p>

Question	Answer
<p><b>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.?</b></p>	<p>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.</p> <p>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).</p>
<p><b>13. Will there be a dedicated Anglicare/community services executive leader in senior management as a direct report to the new CEO?</b></p>	<p>Yes.</p>
<p><b>14. Will Anglicare's current chaplaincy services be merged with ARV chaplaincy? Will it result in fewer Anglicare chaplains servicing hospitals and prisons?</b></p>	<p>Yes, Anglicare's current chaplaincy services will be merged with ARV chaplaincy. No, it will not result in fewer Anglicare chaplains servicing hospitals and prisons.</p>
<p><b>Miscellaneous</b></p>	
<p><b>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.</b></p>	<p>As outlined on pages 10 and 11 of <i>Merger Considerations</i>:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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</li> <li>• 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.</li> </ul> <p>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.</p>

Question	Answer
<p><b>16. Why not transfer ARV operations and assets to the Anglicare entity, which avoids having to create the somewhat complex indexed indemnity?</b></p>	<p>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.</p>
<p><b>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?</b></p>	<p>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:</p> <ul style="list-style-type: none"> <li>• Board oversight of the merger integration program</li> <li>• Establishment of a Merger Program office</li> <li>• Clarity at the time of merger on key areas such as branding, vision/mission/values and organisational structure</li> <li>• A comprehensive communications plan, including feedback loops with staff and stakeholders using consistent messaging</li> <li>• Training in change management and effective communications</li> <li>• Disciplined timetables and outcome measures</li> </ul> <p>(p.26)</p>
<p><b>18. Will the Anglicare head office close and move to an ARV site as part of cost-cutting?</b></p>	<p>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.</p>

Question	Answer
19. <b>As part of the integration will ARV and Anglicare parish relationships be merged?</b>	Yes.
20. <b>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?</b>	No. This is outside of the scope of the current, proposed merger.
21. <b>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?</b>	<p>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).</p> <p>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).</p> <p>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.</p>

## 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	Pro Forma		
	FY16 \$m	Status Quo \$m	Sale \$m
<b>Income Statement</b>			
<b>INCOME</b>			
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
<b>Total income</b>	<b>104.2</b>	<b>94.3</b>	<b>42.1</b>
<b>EXPENDITURE</b>			
Salaries & wages	(70.0)	(67.2)	(33.0)
Operations	(36.1)	(31.1)	(18.4)
Depreciation	(6.1)	(7.5)	(2.8)
<b>Total expenditure</b>	<b>(112.2)</b>	<b>(105.9)</b>	<b>(54.2)</b>
<b>Gross Profit</b>	<b>(8.0)</b>	<b>(11.5)</b>	<b>(12.1)</b>
<b>OTHER INCOME &amp; CHARGES</b>			
Legacies/Fundraising	5.4	5.4	5.4
Investment returns	5.3	6.3	9.6
Capital grants and gain on disposal of assets	-	-	-
<b>Total other income &amp; charges</b>	<b>10.7</b>	<b>11.7</b>	<b>15.0</b>
<b>Operating surplus/deficit</b>	<b>2.7</b>	<b>0.2</b>	<b>2.9</b>
Less investment earnings reinvested for inflation	(1.6)	(1.6)	(4.9)
<b>Net result</b>	<b>1.1</b>	<b>(1.4)</b>	<b>(2.0)</b>

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.

## 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.



## 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 –

- 5 (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**).

10 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**).

15 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*.

20 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**).

25 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**).

30 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**

5 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.

10 (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

15 (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.

20 **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 –

25 (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

30 (b) in accordance with the terms of the *Anglican Retirement Villages Diocese of Sydney (Merger with Sydney Anglican Home Mission Society) Ordinance 2016* –

35 (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;

40 (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 –
- 5 (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
- 10 (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 –

15 “(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

20 (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 –

25 (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.”

30 **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**

35 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.

5 (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**

10 (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.

15 **9. GIFTS, DEVISES, BEQUESTS**

20 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**

25 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**).

- 5 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**

- 10 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**

- 15 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 –

20 "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 –

25 **"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 –

- 30 (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)

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(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 51<sup>st</sup> 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.

10 **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**

15 (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 51<sup>st</sup> 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