

Sydney Diocesan Secretariat

Annual Report to the Synod for 2011

This Annual Report should be read in conjunction with the Audited Financial Statements for 2011 for Sydney Diocesan Secretariat.

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Introduction

Key Achievements for 2011

- Provision of services to central diocesan organisations in accordance with service levels agreements.
- Facilitating key outcomes for organisations served, including –
 - ♦ the leasing of levels 3, 4 and 5 of St Andrew's House,
 - ♦ reviewing the investment policies for the Diocesan Endowment and Long term Pooling Fund,
 - ♦ completion of major ministry centres at Berowra, Glenmore Park and Dapto,
- Substantially reducing operating costs.

1. Sydney Diocesan Secretariat ("SDS") provides administrative, secretarial and accountancy services to the central diocesan organisations of the Diocese of Sydney. In recent years has undertaken a process of significant reform to improve the service it provides.
2. That process of reform has involved –
 - the enhancement of the governance processes of SDS,
 - the negotiation of service level standards with the organisations served by SDS,
 - the restructuring of the operations of SDS,
 - the undertaking of a rigorous review of the costs of SDS,
 - moving to a model whereby the costs of providing services to an organisation are recovered from that organisation.

Enhancement of governance processes

3. SDS has reviewed its governance practices, and settled a governance statement which outlines its governance framework, policies and procedures. A copy of the governance statement can be found at <http://www.sds.asn.au/Site/104316.asp?ph=cb>.
4. The governance statement states that SDS's approach to governance is based on a set of values and behaviours which underpin everyday activities, ensures transparency and fair dealing, and seeks to protect the interests of the Synod and the Standing Committee. It indicates SDS's commitment to the highest standards of governance which it believes are fundamental to the sustainability of the organisation. In preparing its governance statement, SDS was guided by the Corporate Governance Principles and Recommendations published in August 2007 by the Australian Stock Exchange Corporate Governance Council.
5. The governance statement addresses 7 principles –

- 1 – Ensuring clear roles and responsibilities for the board, its committees and management
- 2 – Structuring the Board appropriately
- 3 – Promoting ethical and responsible conduct
- 4 – Ensuring integrity in financial reporting
- 5 – Effective communications with the Archbishop, Synod and Standing Committee
- 6 – Identifying and managing risk
- 7 – Remunerating fairly and responsibly

Service Level Standards

6. SDS has negotiated service level standards with each of the following organisations it currently serves –

- Synod and Standing Committee
- Glebe Administration Board
- St Andrew's House Corporation ("SAHC")
- Anglican Church Property Trust Diocese of Sydney ("ACPT")
- Endowment of the See Committee
- Mission Property Committee
- Sydney Church of England Finance and Loans Board

7. The standards specify not only the services to be provided, but also the service levels required. The performance against the specific standards is reviewed every 6 months by SDS in consultation with the relevant organisation. In this way, SDS maintains a high level accountability to the organisations it serves about its work. During 2011, SDS met the expectations of the organisations it serves.

Restructuring of Operations

8. SDS has restructured its operations to enable services to be provided more efficiently. For example, where desirable and in consultation with the relevant organisation, SDS has facilitated the outsourcing to external service of the provision of some functions which were previously undertaken by staff of SDS. SDS manages those external service providers on behalf of the relevant organisation. Since 2010, the following major functions have been outsourced –

Function	For
Investment Management	GAB ACPT
Investment Accounting	GAB ACPT
Property Management	SAHC
Facilities Management	SAHC
Car Park Management	SAHC

Reviewing of Costs

9. SDS has rigorously reviewed its costs and, where appropriate to do so, reduced those costs. The reduction in costs has reduced the total fees charged to the organisations served by SDS. The extent of the reduction in the operating costs of SDS since 2009 is reflected in the following table –

Year	Total Costs
2009	\$10.4 million
2010	\$9.3 million
2011	\$8.0 million
2012	\$6.7 million

10. The most significant impact on SDS's cost levels has been the significant reduction in staff members. Information about the reduction in staff members is set out later in this report. However, SDS has been conscious to avoid over burdening staff, and so has overseen the development of comprehensive people, learning and culture policies to support them in their work.

Cost Recovery

11. A key to financial sustainability for SDS, and transparency in cost recovery has led SDS to move to a full cost recovery model whereby each organisation served by SDS pays the costs of providing that service. All organisations, other than the Synod/Standing Committee and the Endowment of the See, now fully pay to SDS the costs of the services provided to them. Discussions continue on an ongoing

basis with the Synod/Standing Committee and the Endowment of the See Committee about how the costs of providing services to those organisations can be fully recovered.

Summary

12. There has been substantial change managed by SDS since December 2009 to reshape the organisation to ensure that it is a well governed and more effective and efficient service provider to the Diocese.

Constitution and Charter

13. SDS is constituted by the *Sydney Diocesan Secretariat Ordinance 1973* (the “1973 Ordinance”) and is incorporated under the *Anglican Church of Australia (Bodies Corporate) Act 1938*.

14. The functions of SDS are set out in clause 6 of the 1973 Ordinance. As mentioned earlier in this report, its principal function is to carry out, perform and provide administrative, secretarial and accountancy services for the Anglican Church of Australia in the Diocese of Sydney. The principal organisations served by SDS are referred to in paragraph 7 of this report.

Access

15. The principal office of SDS is Level 2, St Andrew's House, Sydney Square (PO Box Q190, QVB Post Office, NSW 1230). Telephone (02) 9265 1555. The hours of access are between 8.30 am and 5.30 pm.

Membership and Meetings

16. The members of SDS are appointed by the Standing Committee. The 1973 Ordinance provides that the number of members of SDS is to be not less than 8 and not more than 10. Members of SDS are *ex officio* members of Glebe Administration Board.

17. The members of SDS during 2011 and their meeting attendance records follow –

	No of Meetings Eligible to Attend	No of Meetings Attended
Canon Bruce Ballantine-Jones OAM	6	6
Mr Mark Ballantyne	6	3
Bishop Robert Forsyth	6	5
Mr Ben Koo	6	6
Mr Andrew McLoughlin	6	5
Mr Ian Miller	6	5
Mr John Pascoe	6	5
Dr Laurie Scandrett	3	2
Mr Ross Smith	6	5

Staffing

18. Over the last few years, there have been significant reductions in staff numbers in SDS. The following table shows SDS staff numbers were 37.9 full time equivalents in December 2011, and compares this to staff numbers in December 2010 and December 2009.

<i>Full Time Equivalent</i>	December 2011 Actual	December 2010 Actual	December 2009 Actual
Chief Executive Office	4.7	5.2	6.2
Parish Property Services	5.0	5.0	5.0
Commercial Property/Parish Support Services	4.0	10.4	18.4
Diocesan & Corporate Services	6.4	6.8	6.8
Finance	6.0	7.0	13.0
Technology	5.0	7.0	8.0
Investment	6.8	7.0	7.0
Total	37.9	48.4	59.4

19. The senior staff of SDS as at the date of this report are –

Chief Executive Officer	Mark Payne
Chief Financial Officer	Michael Blaxland
Head of Commercial Property and Parish Support Services	Michael Newman
General Manager, Diocesan & Corporate Services and Diocesan Secretary	Robert Wicks
Head of Investments	Andrew Frankling
Head of Parish Property Services	Greg Ellem

Committees of SDS

20. During 2011, SDS reviewed its committee structure. Following that review, SDS has an audit committee whose function is to monitor, report and make recommendations to SDS about the financial reporting processes of SDS, the internal control systems of SDS, and the independent audit process of SDS. The functions formerly exercised by other committees of SDS are now exercised by the Board.

Financial Results for 2011

21. For the year ending 31 December 2011, SDS recorded a deficit of \$270,000. This was primarily because of the payments made to former staff members whose positions were made redundant as a result of an organisational restructure undertaken during 2011. While the organisation restructure was undertaken as a consequence of decisions made by organisations served by SDS to outsource certain functions previously undertaken by SDS, the costs of the redundancies were borne by SDS. As a consequence of this deficit, the capital of SDS reduced from \$2.310 million as at 31 December 2010 to \$2.040 million as at 31 December 2011.

22. The 2011 results of SDS can be summarised as follows (further information is in the audited annual financial report) and those results can be compared to the results for 2010 and 2009 –

\$000s	Actual 2011	Actual 2010	Actual 2009
Total Income	7,751	9,536	11,916
Staff Expenses	5,413	6,053	6,640
Other Expenses	2,608	3,324	3,772
Net Surplus	(270)	159	1,504

23. The balance sheet of SDS as at 31 December 2011 can be summarised as follows –

\$000s	31 December 2011	31 December 2010	31 December 2009
Assets			
<i>Current Assets</i>			
Cash	4,889	4,414	4,304
Receivables	500	213	-
Investments	192	-	238
<i>Non-Current Assets</i>			
Investments	-	500	500
Fixed Assets	1,071	908	1,370
Total Assets	6,652	6,035	6,412
Liabilities			
<i>Current Liabilities</i>			
Payables	628	580	485
Interest Bearing Liabilities	2,887	1,906	2,585
Provisions	942	971	846
<i>Non-Current Liabilities</i>			
Provisions and other Liabilities	154	267	346
Total Liabilities	4,611	3,725	4,262
Equity			
Capital	2,062	2,062	2,062
Accumulated Surpluses	(21)	248	88
Total Equity	2,041	2,310	2,150

Organisational Structure

24. There are 7 operating divisions of SDS. Those divisions, and the nature of the work undertaken by those divisions, is as follows –

Chief Executive

- Oversight of the management of SDS and the performance by SDS of its obligations under the service level agreements with the organisations served by SDS.
- People, Learning & Culture (human resources).
- Office Services.

Diocesan & Corporate Services

- Managing the provision of services to the Synod, the Standing Committee and their subcommittees.
- Providing legal support to parishes as part of the parish risk management program.
- Providing corporate secretarial services to SDS, Glebe Administration Board and St Andrew's House Corporation.
- Overseeing the risk management programs of SDS and Glebe Administration Board.

Commercial Property & Parish Support Services

- Managing the provision of services to St Andrew's House Corporation (in respect of St Andrew's House).
- Managing the provision of services to the Endowment of the See.
- Administering the parish cost recoveries system (central payment of superannuation and other benefits for clergy, and insurance, and the recovery of the costs thereof from parishes by way of the parish cost recoveries charge).
- Providing advice to clergy and parish officers about ministry staff remuneration and parish administration.
- Managing the parish risk management program.

Finance

- Maintaining financial records for SDS and all organisations served by SDS.
- Payroll administration.

Investments

- Managing the investment portfolios of the Diocesan Endowment and the Long Term Pooling Fund.
- Administering the provision of services to the Sydney Church of England Finance & Loans Board.
- Managing the deposits and lending services provided by the Diocesan Endowment (deposits in the Glebe Income Accounts, loans and treasury functions).

Parish Property Services

- Managing the provision of services to Anglican Church Property Trust Diocese of Sydney and its Long Term Pooling Fund and Insurance fund, and the Mission Property Fund.
- Providing advice and assistance to parishes in connection with parish property and parish insurances.

Technology

- Managing the technology needs of SDS and the organisations to which SDS provides technology services.

Achievements in 2011

25. The following paragraphs summarise the key achievements of SDS during 2011 on behalf of the organisations it serves –

Synod and Standing Committee

- Successfully managing the meeting of Synod in October 2011, and the meetings of the Standing Committee and its subcommittees throughout the year.
- Preparing extensive submissions and engagement in meetings in response to the Federal Government's not for profit reform agenda.
- Implementing the Diocesan grievance policy procedure.
- Preparing and/or facilitating the passing of more than 50 ordinances.

Parishes

- Managing the parish risk management program, including responding to about 300 requests for legal support from parishes, preparing and releasing updated materials to parishes, and facilitating a number of training days across the Diocese.
- Releasing the updated Employment Relations guidelines for parishes.
- Responding to more than 180 call to the Parish treasurer's hotline.
- Administering the SDS website (more than 24,000 visits in 2011).

Glebe Administration Board

- Managing the investments of the Diocesan Endowment, including the annual review of the investment policy statement.
- Reviewing GAB's anti-money laundering/counterterrorism financing policies and practices.
- Reviewing key policies associated with the lending and deposit taking activities of GAB.

St Andrew's House Corporation

- Preparing and reviewing long term financial projections for the St Andrew's House fund.
- Undertaking of the capital works upgrade works in the building, upon the expiration of the lease of the major commercial tenant.
- Managing the outsourcing of the facilities management of St Andrew's House, and the management of the car park.
- Leasing of Levels 3, 4 and 5 of the St Andrew's House tower.

Anglican Church Property Trust Diocese of Sydney

- Facilitating transactions in relation to parish properties and overseeing the investment of funds held for the purposes of parishes.
- Managing the investments of the Long Term Pooling Fund.
- Managing the parish insurance program including negotiating the renewal of policies, the provision of information about policies, and the processing of claims.
- Finalising proposed amendment to the 1917 Act for promotion to the New South Wales Parliament.
- Facilitating the change in trustee of the St James' Hall fund.

Mission Property Committee

- Overseeing the completion of major ministry centre construction projects at Berowra, and Dapto and the undertaking of the Broadway project.

Sydney Church of England Finance & Loans Board

- Managing the administration of the loans made by the Board, including facilitating the approval of 19 loans to the value of \$5.2 million.

MARK PAYNE
Chief Executive Officer

29 June 2012