



# **Annual General Meeting**

**19 November 2008**

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1. President's Report
2. Treasurer's Report
3. Address by the Incoming President

## **PRESIDENT'S REPORT FOR THE 2008 ANNUAL GENERAL MEETING**

### **Bill Webster**

In each of the past four years I have spent significant time at our Annual Meeting talking about the fundamental changes that were underway within the Society as we reorganised ourselves to address properly our purpose: creating caring and inclusive communities and a just society.

Last year I was pleased to report that the fruits of this effort were beginning to emerge and I anticipated significant expansion of our services, both geographically and in the number of people we reach and affect.

This year, as you will have read in our Financial Statements, there has been further substantial progress, with virtually every sector of our operations expanding. Particularly pleasing to the Board is that we are being true to our identity as social pioneers and innovators.

I shall leave it to Richard Spencer to provide a flavour of what is being achieved and our current plans, but I do wish to pay tribute to the way in which he and his senior management team have changed the culture, behaviours and practices in the Society, so that we are increasingly being viewed as forward thinking, and leading practitioners in many of our activities.

Strict adherence by management and staff to our 3 year strategic planning process has been fundamentally beneficial in this effort.

We are now into our third year of the current plan and are implementing the activities delineated. In the current year, apart from focussing on organisational growth and additional service delivery, we are putting a special effort into our advocacy work, and formulating new approaches to our fundraising and eliciting support for social innovation.

We have also been working on the next phase of our development and the Board has already endorsed our next three year Strategic Plan addressing years 2009-2012. I will leave it to our incoming president, Sam Weiss, to comment further.

For an organisation to expand as we are, and embark on new ventures, we must ensure that our strategies are soundly thought through and carefully managed. Our Board is highly conscious of the potential risks, such as over extending, not having appropriate supporting infrastructure, or failing to provide the high quality of services for which we are renowned. This is all part of good governance.

But there are other challenges we face, that if we can resolve, will not only be beneficial to the Society's ability to provide services, but should lead to better procedures and outcomes for all providers of social services.

There are currently hurdles to doing it as well and as effectively as we'd like.

Let me illustrate the point:

For the past year we have been in serious discussion with government bodies regarding our potential provision of Out of Home Care services. This is foster care. These services will be new for us, but they are very much aligned with our purpose.

We will be responsible for caring for, and supporting, young people who are unable to live with their families. We will be interacting with adolescents and will increasingly be involved in complex issues relating to drug and alcohol abuse, mental health, parenting problems and the justice system.

For the Society it will be a significant initiative. Within 3 years we expect to have 13 new offices, an additional 150 staff and to be supporting over 700 young people.

In our early discussions with the government departments involved we made it very clear that we would only be prepared to enter into contracts that enabled us to provide the services in ways in which we could properly fulfil our obligations, and for which we would be appropriately accountable.

What this meant in reality was that we were not willing to accept the types of arrangement that have been normal in the past. We believe that with different arrangements significantly better outcomes can be achieved, for the clear benefit of those we are all trying to help.

Our negotiations have been protracted. A consequence is that we won't be starting to provide these services until the early part of 2009, which is well over six months later than initially envisaged. But we think that is a small price to pay in the interests of doing it properly.

The real issue we are addressing here is not specific to Out of Home Care. It is the bigger issue of the relationship between funders and service providers.

We see it as fundamentally important to the future of social services in this country that there is a very clear delineation between the specific roles of service providers and funders, whether government or private.

The relationship should be one of co-operation, or partnership if you'd prefer, with each party respecting the other's role, and each being accountable for their actions and the outcomes. The express purpose must be the provision of effective services and encouragement to those who are disadvantaged.

In our view, anything short of this will result in an inefficient and ineffective system, and a significant waste of resources for all concerned.

The special inquiry into child protection, on which Justice Wood is due to report next month, is likely to highlight the very issues to which I'm referring. We and other service providers have been vocal, and critical, at the hearings, and we are hopeful that as a result of the findings there will be significant change, along the lines that I've just delineated.

This is just one insight into how we are trying to use our influence, without fanfare, in a logical co-operative way, for the common good.

I now turn to the economy.

No organisation can operate in a vacuum ignoring the changing environment in which it operates. The Society is no different. At this time last year the Australian economy was performing well. Even in that environment, our team would have been challenged to implement all our plans effectively.

But conditions have clearly changed in the past few months and it looks increasingly likely that many countries will be moving into recession. Australia is not immune to global forces. For the next couple of years it will be even more challenging for the Society to expand and introduce the initiatives currently envisaged.

Our management team, together with the Board, is working to identify what the impacts on our current and future operations might be, and what changes we may need to make.

Almost inevitably the disadvantaged sectors of our communities will be under increasing stress. The need for our services will be greater.

Funders may be tempted to reduce funding, or require service providers to extend their services within the current level of funding. For most charities this is just not practical, and would be quite detrimental, as most services are currently operated at a deficit.

What the providers of social services such as us desperately need is assurance from governments that funding for specific programs will be ongoing for a number of years. The current practice of 3 year contracts is not conducive to a continuity of high quality service or proper planning.

We will be pressing for longer term funding for programs, with appropriate evaluation of outcomes from each program as a prerequisite for the funding to continue.

I believe that The Benevolent Society story is a good story. We are an organisation that's on the move, questioning, learning, implementing those learnings and endeavouring to be a catalyst for change.

Success comes from having a high quality management team working with a high quality Board.

One of my responsibilities as President for the past 5 years has been to ensure that the skills on the Board are appropriate, and that the Board functions well, as custodians of the Society on behalf of the members.

I was fortunate when I became President to have a Board with high quality people, with appropriate experience. A good exemplar of that is Phil Myles. He came to us with 23 years of corporate experience as managing director of Honeywell. He has contributed in many ways in his 12 years on the Board but I think most of his Board colleagues would agree that it has been his good and incisive counsel on matters of company management that have been especially beneficial. Identifying potential pitfalls from practical experience is of huge value to a team such as ours, and I wish to record our appreciation to Phil for his frequent insights, advice and good humour.

Members will be aware that I believe that a healthy Board has an infusion from time to time of new skills and new thinking, as its needs and challenges evolve. We have appointed some excellent directors in recent years and have this year appointed three who have skills and experience that we believe will add great value to Board discussions in the next phase of our development: Rebecca Dee-Bradbury, Joan Lind and Justin Ryan. You will hear from them shortly.

As I retire as President, and from the Board, I do so in the firm belief that the management team under Richard Spencer's leadership, and the Board under Sam Weiss's chairmanship will be extremely well equipped to address any challenges the changing economic conditions may present, but more importantly, to ensure the ongoing development of one of Australia's most impressive charitable organisations.

Though I will not be on the Board I will continue, as a member of the Society, to take a keen and active interest in the Society's future.

Each year I have stated in closing that I have felt extremely privileged to have held the position of President of The Benevolent Society. On the conclusion of my term, after five years, I feel this privilege more strongly than ever.

## TREASURER'S REPORT FOR THE YEAR ENDED 30 JUNE 2008

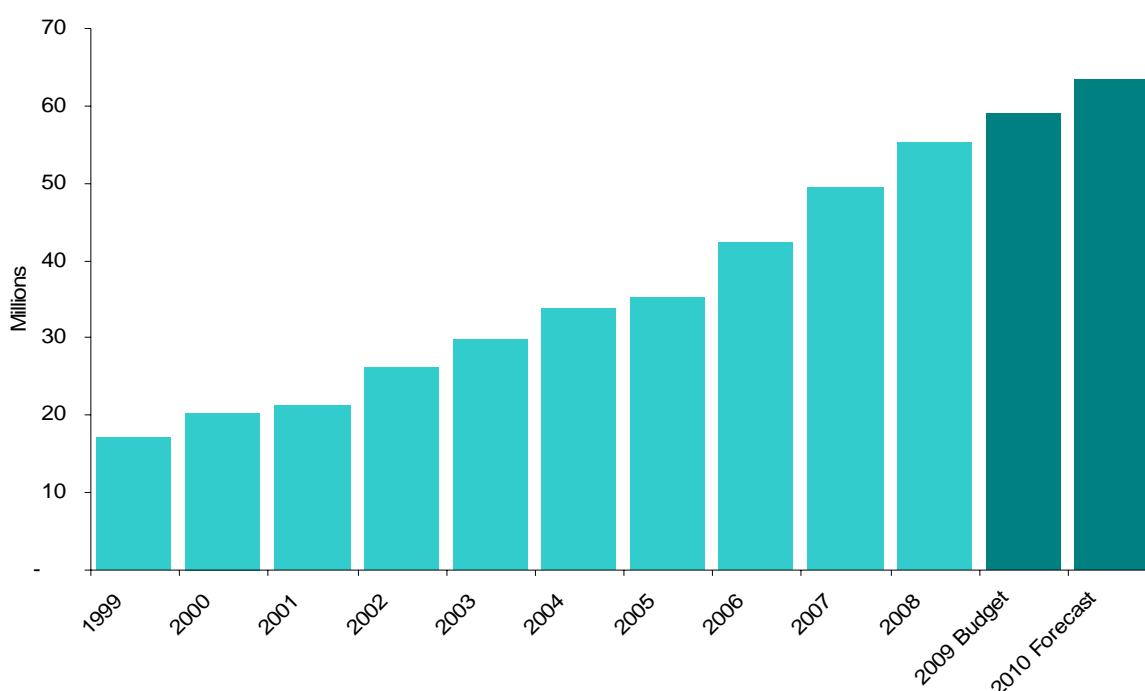
**Tanya Gilerman**

This is my 4th report as your Treasurer and I would like to give you a brief overview of the financial results for the year ended 30 June 2008.

It is my pleasure to report to you that the Society is in a healthy financial position despite the current global financial crisis.

### REVENUE

#### Our revenue continues to grow



The trend for double digit growth over the past 7 years has continued with this years revenue growth at 13%. Revenue from continuing operations increased 14%. Revenue for 2009 is budgeted to increase by a further 7%.

During the year, we completed the establishment of the early intervention children's programs known as Brighter Futures in 8 regions of NSW. We also commenced the establishment of an integrated *Early Years Centre* in the North Gold Coast of Queensland and established three new programs assisting people with severe mental illness. These new programs increased our revenue by \$6 million and broadened our geographic spread of services into rural and regional NSW in some severely disadvantaged communities.

We were also successful in our tender to commence *Out of Home Care* to provide care and support services for children and young people who are unable to live with their birth families in rural and metropolitan NSW. This program will start operating in the next financial year when we will be expecting revenue of \$3 million increasing over the next four years to a total of \$30 million per year.

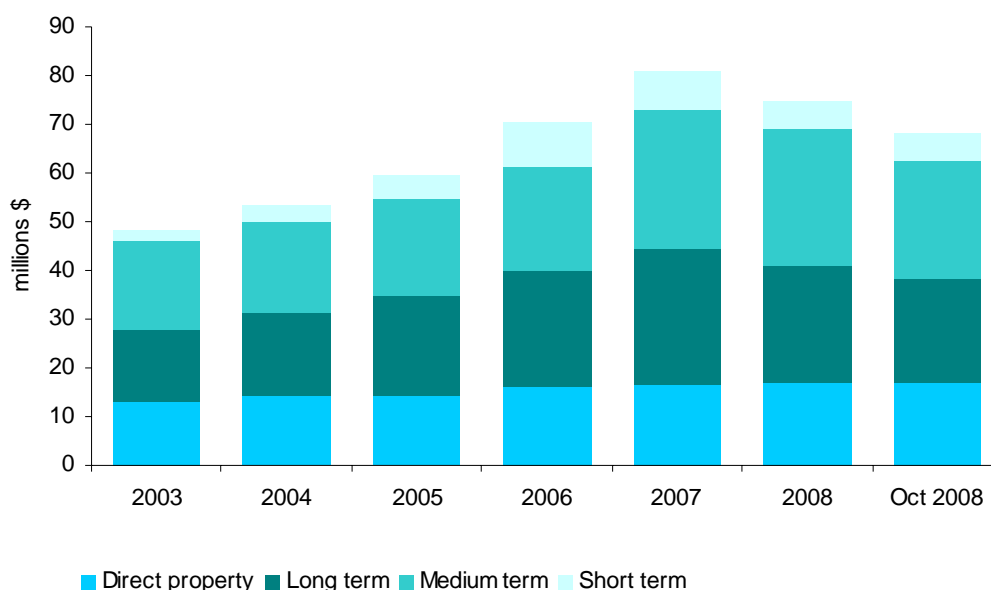
This expected increase in revenue will be to some extent offset by the reduction in operating revenue from the transition away from nursing homes and hostels. Revenue will reduce by \$8 million in total with a reduction of \$3.5 million in the first full year resulting from the closures of 2 facilities.

## BONDI

In addition to establishing new programs the Society directed considerable management time and financial resources towards exploring development options for a new model of housing and care for older people at our Bondi site. The Board approved the *Apartments for Life* proposal in February 2008 and a Development Application was lodged with Waverley Council in May 2008. Construction is expected to commence in the last quarter of the 2010 financial year. The cost of the project is likely to be \$69 million and management are considering alternative sources of funding.

## INVESTMENTS

### Investment assets



Our financial investments decreased in value by 9% from \$56.6 million to \$51.4 million as a result of the decline in global financial markets. However this result should be viewed over the long term horizon taking into account outstanding returns achieved over the past 6 years.

During the year our liquid portfolio of \$5.8 million performed well with short term deposits returning an average of 7.53%.

Our medium term portfolio decreased in capital value by 5% to \$27 million as it has some exposure to equities but delivered budgeted income for the Society's Strategic plan initiatives of 6.4%. Since the end of the financial year there has been a further fall in market value of the medium term portfolio of 10% however we expect over time the equity markets to recover.

The long term portfolio decreased in capital value by 12% to \$24 million. Distributions from this portfolio are not required for operations and are reinvested. Since the end of the financial year the long term portfolio has decreased in capital value by a further 12%. Once again we expect equity markets to recover over time.

We are currently examining ways to grow our investment capital through philanthropy.

Further information on Investments is provided on page 13 of the Annual Financial report

In conclusion these financial results leave the Society in a healthy financial position despite the current economic environment and management continues to carefully manage our finances to ensure that we operate within available funding and do not further erode our capital position

If you have any questions on the Annual Financial Report I am happy to take questions or you can contact me directly.

I would also like to thank all the finance staff headed by Wendy Miller for their hard work and look forward to working together in 2009.

## **INCOMING PRESIDENT'S ADDRESS FOR THE 2008 AGM**

**Sam Weiss**

Joe Klein, the American political pundit, wrote in Time magazine last week about how this month's United States Presidential Election was won, not because of the global financial crisis, or the war in Iraq or because of other substantive issues facing America, but because of the breadth and depth of the community organisation network that Barack Obama and his campaign established across the United States.

Obama has reached out directly through grass roots connections and by twenty first century savvy use of the internet to connect with millions of Americans and indeed with millions more around the world.

What, you might ask, does this have to do with The Benevolent Society?

It is important for The Benevolent Society and for Australia in general, because our mission is to build "caring and inclusive communities." Caring and inclusive communities don't develop because governments would like to have them or because property developers build them. They evolve from the commitment of their residents and with the support of society more broadly. On the ground community organisation is a critical part of the process and The Benevolent Society, through its innovative work and local grass roots activity is deeply engaged in community building. And, as Bill Webster and Richard Spencer have so ably said earlier this morning, we are making real progress towards achieving this objective.

It would be a mistake, however, to think of a "caring and inclusive community" through the prism of the past. Communities of today and in the future will be held together with the glue of cyberspace: social networking online will be as important to building communities as an old fashioned town hall meeting. This is the lesson of the Obama campaign and it is one that I hope that we will be able to apply in our work as we endeavour to build communities across the distant reach of Australia.

In just five years The Benevolent Society will hold its 200<sup>th</sup> Annual General Meeting and will set out to reduce the burden of disadvantage for a third century in Australia.

This is what I believe is important for the members and the Board of The Benevolent Society to focus on in the years ahead.

The vast majority of our funds come from government, both State and Commonwealth. Bill articulated the challenge of clearly delineating the respective responsibility and accountability of funder and provider in the delivery of social services. This is only the initial hurdle for The Benevolent Society. For us to realise our purpose we will need to combine government funding for basic services with non government funding so that we can implement more comprehensive community building capacity that comes from our ability to design and deliver innovative social services. We need to be clear to you, our members, to our staff

and clients as well as to potential clients and all of our stakeholders exactly how our strategic plan can enable The Benevolent Society to create “caring and inclusive communities.”

Richard has spelled out for you the recent dramatic growth of the service reach of The Benevolent Society across New South Wales and into Queensland. This growth has been the result of an energetic management team and governments that have responded to our reliability, our accountability and our capacity to deliver on what we promise. Growth has been a great teacher for us. We have learned that we need to build strong and scalable infrastructure so that when we enter a new geography or provide a new service we can do so without faltering. And we have learned that we need to build in the management depth to expand before we do so, rather than afterwards.

Despite all we have accomplished, our growth has been more opportunistic and less the outcome of a deliberate strategy. Now it is time to have a clear plan for what should be the scale and scope for The Benevolent Society.

Should we deliver services across Australia? If so, should we do so on our own, or in collaboration with others?

Should we grow organically? ...as we have in the past, or should we combine with other like minded organisations so as not to have to reinvent the wheel? We don't have the answers to these questions today, but over the course of the next few years, we will.

Another lesson that we have learned in the past few years, not least because of Bill Webster's wise counsel, is the importance of an absolutely rock solid financial base. As an organisation we are privileged to have, by Australian standards, a healthy balance sheet backed by strong property and financial assets.

However, we have much more to learn in how best to utilise these assets, how to grow them to enable us to support our innovation agenda, and how to be at once discerning and rigorous in how we apply the earnings from them to our operating budget. Over the course of the next few years we intend to take a leadership position in Australia in the development of a formal Benevolent Society Endowment and to seek support in this from the private sector and from the public. I would also like to note the contribution of Scarba Family Volunteers Fund – represented by Aileen Kadison and Shula Endrey-Walker.

To serve on the Board of The Benevolent Society is both a privilege and an obligation. It is an obligation to live up to the standards of two centuries of the service of others who have accomplished much and given much to our society and it is a commitment to leave The Benevolent Society stronger and more capable when we depart than when we started. I am confident that each member of your Board will live up to this promise and I look forward to working with each of them as well as with our management team and all of our staff and volunteers in the years ahead. I should like to thank you, the members of the Society for your confidence in us and for your support. Service on TBS Board, as you know, is voluntary, requires the support of family members.

Two of our Directors retire today. Phil Myles has served the Board and the Society with distinction since 1996 as a Director, and at various times as Treasurer and Vice President. He has been a clear advocate for financial rigour, for not straying from our social purpose and his well chosen words will be missed.

For the past five years the Society has been privileged to have been led by a President, our 23<sup>rd</sup>, who has more than fulfilled his obligation to you and to the Society is Bill Webster. I am humbled by his quiet commitment, his attention to detail, his never failing good humour and his ability to anticipate the unforeseen challenges ahead.

As a matter of record, note the thanks of the Board.

Please join me in demonstrating our thanks to Phil and to Bill for their service to The Benevolent Society.