

Gilbulla Memorial Conference Centre Sale Ordinance 2001

Explanatory Statement

Objects of the proposed ordinance

1. The objects of the proposed ordinance are -
 - (a) to authorise the sale of the Gilbulla Memorial Conference Centre at Menangle, and
 - (b) to authorise the application of the proceeds of sale for the purchase of a new Diocesan conference centre.

A short history of Gilbulla

2. In November 1949 the Church of England National Emergency Fund (CENEF), then being a board appointed by the Archbishop, completed the purchase from Camden Park Estate Pty Limited of an area of almost 37 acres at Menangle for the sum of £22,833. Erected on the property was a 2 storey building known as "Gilbulla" which had been designed by Sir John Sulman and erected in 1899 for Major General J.W. Macarthur-Onslow and a wing, known as the "Long House", which had been constructed by the Red Cross during World War II as a convalescent nursing facility.
3. In his presidential address to the Synod in 1950, Archbishop Mowll referred to the purchase of Gilbulla and the purpose for which it had been acquired. He said -

"The 'Gilbulla' Menangle Memorial to the Clergy of the Diocese who served during the war years was acquired for the Diocese last year as a Conference Centre and Retreat House within a convenient distance from Sydney, where adult members of the Church may be able to go apart for spiritual refreshment and readjustment each year."
4. It is believed that the purchase of Gilbulla was funded substantially by way of loan taken out by CENEF from the Bank of New South Wales (as it then was). The "Gilbulla" Menangle Mortgaging Ordinance 1949 authorised the mortgaging of the Gilbulla land, and other CENEF land, for the purposes of securing the repayment of that loan.
5. A log-cabin chapel was built on the site in 1952 by the clergy of the Diocese as a memorial to the chaplains who served in World War II.
6. The purchase of an adjoining parcel of about 17 acres was completed in March 1958. The purchase price was £875 and it appears that the purchase was financed from funds which had been raised by CENEF for the purpose of a "Church veterans village". Apparently, it had been the intention to erect a retirement village on that 17 acres.
7. In December 1958 CENEF was reconstituted as a board established by ordinance of the Standing Committee. The reconstituted board continued to have responsibility for the management, administration and control of Gilbulla.
8. In April 1962 the Standing Committee passed the "Gilbulla" Board of Management Constitution Ordinance 1962. That ordinance had several purposes -
 - (a) It constituted a new organisation, known as the "Gilbulla " Memorial Centre and Retreat House, to manage, administer and control Gilbulla. The main object of that new organisation was to "provide a conference centre and retreat house for the purpose of imparting religious training and teaching in accordance with the tenets of the Church of England".
 - (b) It declared specific trusts for the Gilbulla land, namely, that the land was to be held upon trust "to permit the same to be used as a Conference Centre and Retreat House in connection with the Church of England in the Diocese of Sydney and for purposes incidental to the conduct thereof".
 - (c) It provided for certain financial adjustments -
 - (i) the new Gilbulla board was to pay CENEF £875 to reimburse the purchase price for the land referred to in paragraph 6 above, it no longer being intended to use that land for a retirement village, and
 - (ii) the new Gilbulla board assumed liabilities of about £7500 relating to the Gilbulla property, and
 - (iii) the Gilbulla board was released from repaying certain debts to CENEF.
9. Since 1962 the Gilbulla board has managed and operated the Conference Centre. During that time a number of capital works have been undertaken -
 - (a) In 1978 the CENEF Wing, being the motel style accommodation, and the meeting hall were erected. These works were funded largely by way of a CENEF grant.

- (b) In 1981 the dining hall was constructed. This work was funded by borrowings, for which security was authorised under the Gilbulla Mortgaging Ordinance 1980.
 - (c) In 1988 works were undertaken on the main house for which the Synod provided \$24,000.
 - (d) In 1989 an all weather tennis court was built, funded from the Gilbulla board's own resources.
 - (e) In 1991 a new water filtration plant was installed. The Synod provided \$15,000 for that purpose and the then Archbishop provided \$40,000 from the Endowment of the See.
 - (f) In December 1991 a swimming pool and wading pool were built, funded from the Gilbulla board's own resources.
 - (g) In 1999 the Synod provided \$25,000 for works to the CENEf Wing.
10. Thus, the facilities at Gilbulla now comprise -
- (a) accommodation for up to 163 persons in 3 wings (although the actual capacity is considered to be 112 persons),
 - (b) 3 conference rooms and 2 lounge rooms,
 - (c) a dining room,
 - (d) the log chapel and an historic Christian library,
 - (e) tennis court and swimming pool, and
 - (f) formal lawns and gardens.

Ongoing reviews of Gilbulla by the Standing Committee

11. The future of Gilbulla is a question the Standing Committee has been reflecting upon for many years. The following paragraphs in this section summarise the history over the last 10 years or so.

12. In April 1992, the then Gilbulla board asked the Standing Committee to increase in the board's borrowing limit to allow it to borrow for additional working capital. The request followed a run down in the board's cash reserves in 1991 arising from a trading loss and the capital expenditure associated with the construction of the new pool. In its request, the board foreshadowed that 1992 was also expected to be a very difficult year.

13. Concerned, the Standing Committee asked the then Chief Executive Office of Sydney Diocesan Secretariat, Mr David Fairfull, to review the board's finances. Subsequently, Mr Fairfull reported that the board had adopted a business plan to address its financial situation and intended to pursue that business plan for some 18 months. The essence of that business plan was to more aggressively market Gilbulla to increase occupancy rates, and maintain strict controls over costs. The Standing Committee approved the increase in the borrowing limit on the basis that a further review would be undertaken in 18 months and, if by then, Gilbulla was not trading profitably the option of selling the property would be considered.

14. A second review of the finances of Gilbulla was undertaken by Mr Fairfull in August 1993. The financial situation had improved somewhat. For example, in 1992, if depreciation was excluded, Gilbulla made a small operating surplus. In 1993 it was foreshadowed that Gilbulla would trade at a small surplus, even allowing for depreciation. Nevertheless, Mr Fairfull's report highlighted several ongoing problems - there was a need to upgrade maintenance and refurbish the buildings (for which the Gilbulla board did not have the resources), longer term financial prospects for Gilbulla were not encouraging and there appeared to be a lack of broad Diocesan support for Gilbulla. Nevertheless, the Standing Committee agreed to the continuation of Gilbulla, subject to a further review in 18 months.

15. A third review was undertaken by Mr Fairfull in April 1995. The review showed that the Gilbulla board had made operating losses in 1993 and 1994, although if depreciation was excluded, there was a small cash surplus in each of those years. However, the board's financial forecasts for 1995 and 1996 were described as being "unattractive". While acknowledging that Gilbulla board had made "great strides forward" in improving all activities at Gilbulla, Mr Fairfull identified 2 ongoing problems, namely, the 'rundown' condition of the buildings, and "pig smell" problem which was said to cast doubts on any future growth or development.

16. The option of selling Gilbulla and purchasing a more modern conference centre at a better site with modern buildings, plant and equipment was raised with the board. However, it thought that it was better to upgrade Gilbulla and negotiate a strategic land swap with an adjoining owner to enable direct access to the nearby Nepean River. For this purpose the board sought a grant of \$400,000 from Synod funds to upgrade the Long House, and loans of up to \$350,000 to undertake other capital works. The Standing Committee deferred consideration of this request pending an improvement in operating performance and further progress on resolving the "pig smell" problems and negotiating a land swap.

17. In September 1996 the Standing Committee received a further report about the Gilbulla finances. The results for 1995 were not healthy - the accounts stated that the ability of Gilbulla to pay its debts as they fell due was dependant upon the return to profitable operations and the continuing financial support of its lenders. As a consequence, the Standing Committee appointed a committee to review the capacity of Diocesan conference centres and the overall ministry needs and future strategies for such conference facilities.

18. The committee reported in early 1997, concluding that the Diocese needed a multi purpose conference centre with an ability to service adults/family/youth. The committee thought that such a conference centre would probably require a capital base for refurbishment and capital works. The committee also thought that while the centre would probably not be an income earning project, it should break even after depreciation and amortisation.

19. The committee also expressed the view that Gilbulla could not continue in its then run down state, and if it was to continue a capital injection from the Diocese would be necessary and a new management structure implemented. A majority of the committee recommended that Gilbulla be sold and that the proceeds of sale be used to acquire a replacement site.

20. In March 1997, after considering the committee's report, the Standing Committee determined that the Diocese needed a multi-purpose conference centre, but that Gilbulla was no longer a satisfactory site for that centre. The Standing Committee also determined to vest the management of Gilbulla in the Anglican Youth Department (as it then was), and request that a report be prepared on the current operations and immediate future of Gilbulla, and an outline feasibility study undertaken on the development of a new Diocesan Conference Centre. Management of Gilbulla was effectively vested in AYD from April 1997.

21. The report about the operations and future of Gilbulla was received by the Standing Committee in December 1998. The report identified the following issues -

- (a) With the appointment of a new manager who had a long history in the hospitality business the situation at Gilbulla had improved dramatically. This was particularly evident in the presentation and cleanliness of the facilities, as well in key areas such as catering.
- (b) The odour from the nearby piggery remained an issue although a significant amount of time and energy had been spent in trying to find a long term solution. Pig numbers had been reduced substantially and a marked improvement in the odour nuisance had occurred. The committee considered that a long term solution to the problem was attainable.
- (c) There was a distinct difference in accommodation standards within the site with the long house in particular in poor condition. To bring the existing facilities up to reasonable standards would cost in the vicinity of \$445,000.
- (d) The overall occupancy of Gilbulla was low compared with other Christian conference centres. Gilbulla's use was more than one third less than that achieved on average by AYD's own centres. Despite significant marketing efforts, there was a very poor rebooking rate by first time customers.

22. The report recommended that Gilbulla be retained for the immediate future as a conference centre subject to continued efforts being made to purchase additional surrounding land to enable a permanent access to the Nepean River and further program options to be pursued (particularly for youth).

23. Subsequently, attempts were made to negotiate with a neighbouring owner to obtain land to enable better access to the Nepean River. Unfortunately, the neighbour has been unsympathetic and has not been willing to consider either a sale of land or a land swap.

24. A summary of the income, expenses and net cash return of Gilbulla over the last 5 years is as follows -

	1996	1997	1998	1999	2000
Income					
Fees and sundry income	515,229	463,498	491,715	585,691	553,897
Olympic Games income					339,464
Total Income	515,229	463,498	491,715	585,691	893,361
Expenses					
Operating expenses exc. depreciation	509,171	438,850	466,109	559,216	573,067 *
Net cash return	6,058	24,648	25,606	26,475	320,294
Depreciation	21,500	25,417	23,376	40,991	49,527
Net Income	(15,442)	(769)	2,230	(14,516)	270,767

* These operating expenses in 2000 include expenses associated with providing Olympic Games accommodation. It is not possible to specifically identify the amount of those expenses.

25. The financial results indicate that Gilbulla has struggled to meet its operating expenses, inclusive of depreciation. The strong financial results for 2000 are the result, to a significant extent, of the Olympic Games contribution. Those results are unlikely to be repeated in coming years.

Why the question of the sale of Gilbulla has arisen at this time

26. In February 2001, the Standing Committee received a further report from the Gilbulla board requesting Synod funding for 5 years to enable the centre to be upgraded and so redress what the board considers to be the capital neglect over the last 20 to 25 years. The works proposed to be undertaken were -

- (a) Essential fire protection works in the main house, kitchen upgrades to meet health standards, and the installation of a sewerage treatment system. The estimated cost of these works was \$300,000.
- (b) Adding 50 beds and a new larger meeting room accommodating 200 in a complex to the south of the existing dining room, plus an extension to the existing dining room to lift capacity to 150. The estimated cost of these works was \$1.55 million.

27. The amount of Synod funding requested by the board was between \$1 million and \$1.3 million. With the injection of these funds, plus the positive return expected to be generated by the additional capacity, the board thought it could finance the balance of the cost by way of loan and still have sufficient cash surpluses from operations to fund ongoing maintenance and improvements.

28. In response to the board's request, the Standing Committee requested in February 2001 that the Secretariat examine the proposal and report on it, and any other alternatives. The Standing Committee also requested that the board undertake the minimum essential works, using funds available to the Gilbulla board.

29. On 30 April 2001, the Standing Committee received a substantial report from the Secretariat about Gilbulla, and the alternatives to Gilbulla. Much of the content of that report has been included in this explanatory statement. The Standing Committee subsequently resolved in principle to agree to the sale of Gilbulla and requested that work be undertaken to identify a replacement Diocesan conference centre. A memorandum about the Standing Committee's decision was sent to Synod members on 1 May 2001.

30. The bill for the Gilbulla Memorial Conference Centre Sale Ordinance 2001 is being promoted to enable the Synod to consider the sale of Gilbulla.

Why sell Gilbulla?

31. There is general acknowledgement that by reason of the efforts of the current manager, Gilbulla is looking better now than it has looked for many years. In particular, many improvements have been made to the buildings and to the grounds. Nevertheless, there are several reasons why the Standing Committee thinks the sale of Gilbulla should now be considered.

32. The Gilbulla site suffers from several physical problems which will continue to detract from its attractiveness as a conference centre -

- (a) The site has no natural activity attractions (such as access to a beach, bush walks etc). Recent attempts to acquire land to enable direct access to the river have not been successful.
- (b) There is the much reduced, but still present, problem of the smell which comes from the piggery.

33. There are a number of problems associated with the buildings at Gilbulla -

- (a) As a conference centre, it suffers from an inefficient layout and inadequate facilities. The dining and conference rooms are too small. Staff costs are considered high because of the style of accommodation and the layout. Undertaking the proposed capital works may aggravate the inefficiencies caused by the layout since they will be further examples of the somewhat piecemeal development on the site.
- (b) Most of the facilities constructed in the late 1970's and early 1980's (the CENEF Wing, the conference hall and the dining hall) are of a style and standard which is no longer appropriate for a modern conference centre. The use of those facilities is inhibited by design limitations, for example, inadequate ventilation in the rooms in the CENEF Wing, low ceiling and lack of space in the conference room and poor ventilation and lack of space in the dining room. The age and design of the buildings is such that maintenance costs are high.
- (c) The style and standard of the accommodation is somewhat dated. For example, a majority of the present beds are situated in 5 bed rooms yet, nowadays, adult group want single or double rooms only. In the main house, the rooms do not have ensuite facilities. A consequence of these and other limitations is that average occupancy rates are lower than for other conference sites.
- (d) The main house at Gilbulla is an historic building, and will inevitably require increasing maintenance expenditure in coming years.

34. The \$1 million to \$1.3 million grant requested by the board will go somewhat towards addressing some of the issues referred to in paragraph 33. However, even with that expenditure, significant additional expenditure will be required in future. It will be beyond the resources of the Gilbulla board to fund that additional expenditure, meaning that if Gilbulla is retained the Synod should expect to be asked to make further capital contributions in future.

35. Estimates of the current value of the site range between \$1.3 million to \$1.7 million. Thus, the works proposed by the board require a Synod capital contribution approximately equal to the lower end of that

valuation range. However, undertaking the capital expenditure proposed by the board will not add materially to the value of the site. For example, the sum required to be spent on essential services work will not increase the return from the property. Further, the other proposed works will only add no more than \$40,000 to the annual net income, even if the majority of those works were to be funded by way of Synod grant.

36. In summary therefore, agreeing to provide grants of between \$1 million and \$1.3 million will do little to improve the financial viability of Gilbulla, and the annual struggle to breakeven will continue.

37. While the Campbelltown area is growing, it is not expanding in the direction of the Gilbulla site. Enquiries indicate that it will be many years before development will extend to that part of Menangle where Gilbulla is situated. Even then, environmental concerns arising from the proximity of Gilbulla to the Nepean River may prevent the development of the site.

Why retain Gilbulla?

38. The Standing Committee is mindful of the reasons why Gilbulla might be retained as a Diocesan conference centre. These have been referred to in the many letters which have been sent in response to the Standing Committee's in principle decision of 30 April 2001 to agree to the sale of Gilbulla.

39. Gilbulla is considered by many to be a Diocesan icon both from an historical point of view and also having regard to the significant ministries which have been exercised from the site. Many of the letters received by the Standing Committee make reference to these ministries. A typical comment is as follows-

"Archbishop & Mrs Mowll had an incredible vision when they purchased Gilbulla for our needs in 1949. These needs are very much greater in 2001. When I think of the countless number of adults from parishes all over Sydney who have spent time at Gilbulla over so many years, and being taught the Word of God, growing stronger in the love of Christ, experiencing close Christian fellowship, which strengthens bonds in a parish, which in turn must lead to the building up of its congregation. There are also countless numbers who have made decisions for Christ during this time."

Another writer has written -

"My parents spent their early fellowship years on house parties at Gilbulla and my children look forward to bringing their families to Gilbulla in the future. My two eldest children were converted at Gilbulla. It has a long history and heritage worthy of preservation for future ministries and future generations."

A third writer has written -

"I know of many people who have come to know Christ Jesus through the camps at Gilbulla. The atmosphere of Gilbulla is truly unique and wonderfully conducive to worship. I myself always feel very refreshed whenever I have visited it and feel much more confident in my faith. Gilbulla, I believe, is a very important part of the Sydney Anglican community and is an irreplaceable element of Sydney's dioceses. It nurtures Christians of different areas, and gives them a place to meet, learn and grow in their faith together."

A fourth writer has written -

"My family has been very much blessed by the ministry of the Gilbulla winter camp, where myself, my wife and our children have been challenged in our faith and other children attending have made a commitment to Jesus for the first time. These camps have been wonderful times of refreshment and invigoration, of meeting new friends and great discussion with other Christians from many backgrounds and experiences."

40. Many of those who have written letters are regular visitors to Gilbulla and consider that it remains a functional conference centre. A typical comment is as follows -

"I am sure that Gilbulla is an excellent venue for groups of many different purposes in its present form, and not only for parishes who are able to encourage their people to meet together in a house party setting. It is a workable venue even when there is more than one group in residence as was evidenced during my time at Gilbulla just last week with the MU. The site is functional for meetings, the grounds and view much appreciated to recharge the batteries in breaks between sessions, the room facilities and housekeeping arrangements/catering more than adequate. I certainly hope that my recent visit will not be my last!"

A second writer has written -

"I rediscovered Gilbulla some 4 years ago, after a 20 year break, and am amazed at the wonderful resource it offers the Diocese. It is architecturally impressive, yet completely functional for groups of all sizes and ages. Good accommodation, comfortable sitting areas inside the house and along the lovely verandah, peaceful gardens, bike track, swimming pool, tennis court, volley ball court, table tennis, places for outdoor pursuits such as football - all within one hour from just about anywhere in Sydney."

A third writer has written -

"We have found the CENEF motel units to be very well designed for families."

41. Geographically, Gilbulla is located reasonably centrally within the Diocese and is within 1.5 hours of the city. Its accessibility from Sydney is likely to be improved once the M5 extension is opened. Many consider that it will be very difficult to find a similar conference centre close to the city and so centrally located in the Diocese.

42. It has also been said that Gilbulla should not be sold until it can be demonstrated that a suitable alternative conference centre can be purchased. A concern has been expressed that until alternative sites have been identified it should not be concluded that retaining Gilbulla is a poor financial option. The purchase of a new conference centre is likely to require a significant capital contribution. If the size of that required contribution is large, it is said that retaining and upgrading Gilbulla could be a better alternative.

A new Diocesan conference centre?

43. As has been indicated, the Standing Committee has determined that the Diocese needs an adult conference centre. Anglican Youthworks (the successor to the Anglican Youth Department) is convinced that there is a considerable market for such a property.

44. In Anglican Youthworks' opinion, a Diocesan conference centre should have the following features -

- (a) an attractive site (preferably near a beach or other feature),
- (b) a retreat style centre catering for groups of 30 to 70,
- (c) good quality accommodation in 2 bed en suite rooms with conference facilities to match,
- (d) offering essentially a hospitality style ministry rather than a program intensive experience,
- (e) a focus on "Diocesan corporate" conferences and small group, up market retreat style facilities,
- (f) good access, preferably 45 to 60 minutes from the city centre and ideally with rail access,
- (g) to be economically viable the adult conference centre should be attached to a bigger site to gain efficiency from being able to share operating expenses and overheads. (Ideally this would mean that the centre would be designed so that it can operate separately as an adult conference centre or be able to be combined with other accommodation on the same site to cater for large mixed groups.)

45. There is no existing property in the Diocese which satisfies all the criteria referred to in paragraphs 44(a) to (g) above. In its present form, Gilbulla meets some of the criteria - however, it does not meet the criteria referred to in paragraphs 44(a), (c) or (g). Even with further capital spending on Gilbulla, it would be difficult for those criteria to be met. In particular, it is thought that Gilbulla would continue to suffer a high operating cost structure because it would remain a single site property.

46. Consideration has been given to whether an adult conference centre could be incorporated into one of Anglican Youthworks' existing camping sites at the Shoalhaven or at Port Hacking. However, Shoalhaven is more than 2 hours travel time from Sydney and so is not considered to be a viable option. While Port Hacking is closer to Sydney there are other issues which would need to be resolved (if they can be resolved) before the site could be further developed as the site for an adult conference centre.

47. Opportunities are being explored as they arise for the purchase of a new site which satisfies the criteria referred to in paragraph 44. Currently, the preference is to purchase an existing facility (and undertake any further redevelopment), rather than attempt a green fields development. This option will require a substantial financial investment and, inevitably, would require that the Gilbulla site be sold so that the proceeds of sale could be applied towards that investment. At the moment a suitable new site has not been identified, although a number of possibilities have been investigated to date.

48. The proceeds of sale of Gilbulla are unlikely to be sufficient to enable the purchase of a new site for an adult conference centre. An additional capital contribution, probably of more than \$1.5 million, will need to be made to enable the purchase to proceed. While the size of that additional capital contribution cannot be quantified with precision, the thinking about alternative sites done to date suggests that the contribution will be well within the resources of the Synod. Once the initial capital contribution is made, it is intended that the new centre will be able to substantially fund its ongoing capital needs from its own resources. However, even if it cannot, it will be many years before the Synod will need to contribute further large capital sums. Unfortunately, as has been mentioned, it is thought that the making of further capital contributions to Gilbulla in accordance with the board's most recent request will not impact substantially on its financial results. Further substantial capital contributions are also likely to be needed in the not too distant future.

49. Inevitably, cash flow requirements mean that it is preferable that Gilbulla be sold before a new conference facility can be brought "on line". It may take some time to purchase a new site and, once purchased, time might need to be spent undertaking further redevelopment on the site to provide the adult conference centre that we require. However, if the Synod was to agree to the sale of Gilbulla care would be taken to manage the transition and, in particular, to minimise any time during which an adult conference centre was not available.

Final comments from the Standing Committee

50. The Standing Committee recognises that Gilbulla is a significant Diocesan resource, and that over many years the ministry conducted from Gilbulla has led many to Christ, and others to a greater understanding and appreciation of their faith. The Standing Committee's decision to recommend to the Synod that Gilbulla be sold is not one which has been taken quickly, or lightly. It is the result of many years of review and assessment.

51. It is probably true to say that over the years Gilbulla has been denied the large amounts of capital to bring all the facilities up to an acceptable standard. However, at least in recent years, the Standing Committee has not been satisfied that injecting large amounts of capital would change the financial situation at Gilbulla to any great extent. Even with reasonably large amounts of capital expenditure into the future, it is unlikely that Gilbulla would move beyond its annual struggle to breakeven, even on a cash basis.

52. The Standing Committee considers that Gilbulla should be sold and that a new replacement conference centre should be acquired with the features referred to in paragraph 44, or as many as possible of those features as is possible. The Standing Committee intends that ministries of the type presently being conducted from Gilbulla will continue to be conducted from the new centre. However, the main advantages which the new centre will have over Gilbulla are that it should attract a higher level of average occupancy and be on a more sustainable financial footing for the longer term.

53. Finally, the Standing Committee acknowledges with sincere thanks the work of the members of the Gilbulla board and the managers and staff, both past and present, over many years. They have served this Diocese admirably. The work of Mavis Hedrik, the current manager, is specifically acknowledged. It is through Mavis' foresight, expertise and perseverance that the Diocese has a facility at Gilbulla which, functionally and aesthetically, is the best it has been in many years. The Standing Committee's recommendation to sell Gilbulla is not intended to reflect upon the valuable work of these people. Rather, it reflects the Standing Committee's belief that for the future the Diocese needs an inspiring, functional and financially sustainable adult conference facility. For the reasons set out earlier in this statement, the Standing Committee does not believe that Gilbulla can fulfill this role into the longer term.

Recommendation

54. The Standing Committee recommends that the Synod pass the bill for the Gilbulla Memorial Conference Centre Sale Ordinance 2001 as an ordinance.

For and on behalf of the Standing Committee

MARK PAYNE
Diocesan Secretary

28 September 2001