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Encompass Australasia

Report to Bishops

November 2007

This report contains 16 pages

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1 Executive Summary

Encompass Australasia Pty Limited (“Encompass”) was formed to fulfil one of the nine points outlined in the Pastoral Letter to the Catholic People of Australia issued by the Australian Catholic Bishops at their Conference Plenary Meeting in April 1996. The letter stated that:

“In collaboration with the Leaders of Religious Institutes it is proposed to establish a programme to treat those clergy and religious who suffer from psycho-sexual disorders. This programme will contain a suitable spiritual input”

Since it was formed Encompass has provided residential treatment and assessment services for over 1,000 clients

To date Encompass is trading at a loss due to a decrease in clients. 49 Assessments have been or are booked for the 2007 year whereas there have been over 80 assessments per year since 2001. The numbers in the two residential programmes, Oasis and Banksia, are below previous years with 19 clients commencing programmes this year.

On two previous occasions representations regarding the financial viability of Encompass have been made to the Bishops in Conference; by the Chairman, Brother Michael Hill FMS, in December 2006 and again, in May 2007 by Brother Julian McDonald CFC, Director.

In response to the first presentation it was recommended Encompass engage the services of an independent financial expert to assess the current financial status of the company. This was done. The resultant report and recommendations formed the basis of the submission made to Conference in May this year.

The conclusion reached by the independent financial expert was that the company, while solvent at the time, could not continue to operate beyond the third quarter of 2007 unless there were to be a significant increase in participants in the two residential treatment programmes.

In the meantime, the company was asked to consider all the possibilities available to it. Upon hearing that advice the Conference generously responded to a motion that a guarantee be issued to the Canberra –Goulburn CDF to provide a facility for the advance of funds amounting to \$700,000, that being the sum estimated by the independent financial expert as the amount required to maintain solvency.

If the current trend continues, then the following options remain open to the owners of Encompass:

- Continue as is
- Seek financial support to underpin annual shortfalls
- Restructure the entity providing the services by establishing a liaison with another Catholic Health Care provider
- A combination of the previous two bullet points

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- Close Encompass

On assessment of these options, this report recommends the following:

The services which Encompass provides should continue to be made available through alignment with a Catholic Health Care provider together with an undertaking from the Bishops and Congregational Leaders to financially support Encompass through lean periods.

Encompass Australasia was established specifically to assess and provide intensive therapy for priests and religious who had offended or who were at serious risk of either psychological collapse or of acting out inappropriately. Assessments conducted by Encompass identify that there is a significant number of priests and religious with either a history of sexual offending against children and vulnerable adults or a serious level of emotional and/or psychosexual dysfunction requiring intensive therapeutic intervention. Failure by the Church to provide the services of Encompass to these individuals could have dire consequences for the Church in the years ahead.

The stark reality is that Church Authorities (Bishops and Religious Leaders) appear to want the services of Encompass Australasia but are slow to avail of those services until a crisis looms. However Encompass with only the current trickle of clients is simply not viable.

2 Background

Encompass has been operating for almost 10 years and was formed to fulfil one of the nine points outlined in the Pastoral Letter to the Catholic People of Australia issued by the Australian Catholic Bishops at their Conference Plenary Meeting in April 1996. The letter stated that:

“In collaboration with the Leaders of Religious Institutes it is proposed to establish a programme to treat those clergy and religious who suffer from psycho-sexual disorders. This programme will contain a suitable spiritual input”

The initial residential treatment programme set up as a consequence of this remains one of the central services offered by Encompass today. The programme provides a holistic approach to treatment and is recognised, by those in the industry, as entirely comparable with the best programmes available in the United States and United Kingdom. There are no other similar programmes in Australia today – and certainly none that would provide for a client’s spiritual needs

There has been a clear indication from plenary sessions of ACBC and CRA that the services of Encompass are valued and needed.

Today the Programmes run by Encompass, are as follows:

Banksia Programme – this is a six month residential programme that focuses on the integration of sexuality. This programme also provides for a client’s spiritual needs.

Oasis Programme – this is a six month residential programme for clients with a broad range of psychological conditions such as mood disorders (anxiety, depression etc.), addictions and personality disorders. This programme also provides for a client’s spiritual needs.

Rubicon – this is a four week sabbatical programme.

New Beginnings Assessment (Vocational) – this is a three day assessment, typically offered before or during initial and continuing formation, or at a time when a change in ministry or role is being contemplated.

Life Review Assessment – this is a comprehensive five day assessment including physical, psychological and spiritual components.

Seminars are presented on a wide range of topics.

To date Encompass has provided residential treatment for 247 clients and assessment services for 840 clients, some of whom are from overseas (principally from New Zealand and Pacific Island Territories).

Savings have been achieved by treating persons by Encompass in Australia rather than overseas or, in the case of those services available elsewhere in Australia, from local providers.

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Speaking only of Assessments and Residential Treatments of persons suffering from psychosexual disorders, the savings are calculated as follows :

Assessments by Encompass: 840 at average cost per assessment of \$2,500 -- \$2,100,000.

Encompass has always endeavoured to maintain fees at 50% of the scale charged by Psychologists practising elsewhere in Australia. Had Psychologists performed the assessments elsewhere the cost would have been over \$4 million. The savings achieved by having Encompass perform the assessments would then be, approximately, \$2 million.

The six month residential treatments offered by Encompass are provided for a fee of \$45,000. Full board and lodging is available in the specially supervised residences at a cost of \$5,000 giving the total cost of residential treatment of \$50,000. The 247 treatments provided by Encompass have therefore cost referring clients a total of \$12,350,000.

It is conservatively estimated that the cost to obtain treatment at one of the institutes in the United States, with airfares, accommodation and treatment would amount to approximately \$100,000. The total cost of having the 247 clients treated overseas would have been approximately \$24 million giving savings in respect of these services of, say, \$12 million.

Therefore the total savings achieved over the past 10 years by the referring clients to Encompass rather than using other providers amounts approximately to \$14 million.

In addition, members of Encompass staff have presented over 160 workshops, delivered papers at 15 international conferences and are currently engaged in a major research project related to sexual boundary violations among clergy.

On two previous occasions representations have been made to the Bishops in Conference on the financial viability of Encompass; by the Chairman, Brother Michael Hill FMS, in December 2006 and again, in May 2007 by Brother Julian McDonald CFC, Director.

In response to the first presentation it was recommended Encompass engage the services of an independent financial expert to assess the current financial status of the company. This was done. The resultant report and recommendations formed the basis of the submission made to Conference in May this year.

The conclusion reached by the review was that the company, while solvent at the time, could not continue to operate beyond the third quarter of 2007 unless there were to be a significant increase in participants in the two residential treatment programmes.

In the meantime, the company was asked to consider all the possibilities available to it. Upon hearing that advice the Conference generously responded to a motion that a guarantee be issued to the Canberra –Goulburn CDF to provide a facility for the advance of funds amounting to \$700,000, that being the sum estimated by the independent financial advisor as the amount required to maintain solvency.

Broadly speaking the possibilities appear to be:

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- Continue as is
- Seek financial support to underpin annual shortfalls
- Restructure the entity providing the services by establishing a liaison with another Catholic Health Care provider
- A combination of the previous two bullet points
- Close Encompass

It was clear from the response to the representations made that it was the desire of the Bishops and Religious Leaders of Australia that the services provided by Encompass remain available to them.

On the understanding that any further submission must be based upon a projection of the estimated results of operations over the next five years. The Board of Encompass undertook two significant tasks:

- A survey was conducted of all dioceses and religious institutes in order to gauge the extent to which clients might engage the services of Encompass over the next five years.
- Earnest negotiations were commenced with a Catholic Health Care Provider to explore the practicality of forming a liaison of benefit to both parties.

The matters raised here are dealt with in subsequent sections of this report.

3 Where Encompass is today

Today Encompass finds itself at a crossroad. This section sets out:

- The financial performance of the company for the 2006 year, together with the budgeted figures for the 2007 year.
- A breakdown of costs required to run Encompass

3.1 Financial Performance

	2007 (Actual to September estimate to December)	2006	2005
<i>Income</i>			
Programmes	1,319,317	1,806,465	1,750,554
Other	37,486	60,958	45,439
Total Income	1,356,803	1,867,423	1,795,993
<i>Less: Expenses</i>			
Wages	1,215,975	1,371,493	1,308,761
Rental	148,050	144,381	135,464
Administrative and Other Costs	321,490	396,797	395,234
Total Expenses	1,685,515	1,912,671	1,839,459
Net Profit/(Loss)	(328,712)	(45,248)	(43,466)

Please note the audited financial statements for the financial year 2006 and prior are available on request

3.2 Running Costs

The costs required to run Encompass can be broken into three main headings – wages, rental and administrative costs – each of these areas of cost is dealt with below.

3.2.1 Wages

The main cost for Encompass is Salary and Wages and on-costs which account for approximately 72% of the total running costs of the company.

To maintain the integrity of the programme offered by Encompass the staffing levels maintained represent those staff required to run the various elements of the programme together with a small group of administrative staff. It must be said that to provide the holistic programme of treatment, including the essential spiritual element, it is necessary to maintain a team of professionals, experienced in the treatment of those presenting, namely, clergy and religious. The opportunity to engage the services of psychological and psychiatric professionals on a sessional basis is limited.

A listing of the current staff together with their salary and/or wage together with their status of either full time or part time is at Appendix 1.

3.2.2 Rental

Rental represents approximately 8% of the total expenditure of the company. Rental can be broken into 2 basic headings – rental for the Encompass premises at Ashfield and rental for the 3 houses used to accommodate clients in the Banksia and Oasis programmes.

The current rental for these premises is:

Ashfield	\$72,450
Accommodation for clients in residential programmes	\$75,600

3.2.3 Administrative and other costs

The remaining 20% of the costs represent the general running costs for the company. These costs include legal, accounting and audit fees, insurance, computer and office supplies, telephone, travel, utilities, client residential care etc.

4 The Future Projections of Encompass

As set out earlier in this report, the programmes offered by Encompass are as follows:

Banksia Programme – this is a six month residential programme that focuses on the integration of sexuality. This programme also provides for a client’s spiritual needs.

Oasis Programme – this is a six month residential programme for clients with a broad range of psychological conditions. such as mood disorders(anxiety, depression etc.), addictions and personality disorders. This programme also provides for a client’s spiritual needs.

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Life Review Assessment – this is a comprehensive five day assessment including physical, psychological and spiritual components.

Seminars are presented on a wide range of topics.

(Detailed information on the programmes offered by Encompass is available on request)

A survey was recently conducted of Bishops and Religious Leaders to determine the level of clients that may be referred to Encompass over the next 5 Years together with an indication of the type of programmes that would be used.

The results of the survey are set out below. However, it should be noted that there are currently two clients in the residential programmes who will continue into 2008. At the stage of preparing this report there is only one definite client booked to commence in January 2008.

The figures shown in the following survey have not materialised into clients at this stage.

Programme	Women’s Congregations (38 responses)	Clerical Congregations (15 responses)	Brothers’ Congregations (5 responses)	Dioceses (15 response s)	Unidentifie d (11 responses)	Tota l
Banksia	2	26	6	15	4	53
Oasis	18	27	14	20	10	89
Rubicon	54	16	7	11	10	98
Vocational	35	20	-	56	20	131
Life	42	37	4	13	16	112
Seminars	76	26	7	8	11	128

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Quantified in dollar terms at current rate of fees charged:

			\$
53	Banksia Treatments	@ \$48,000	2,544,000
89	Oasis Treatments	@ \$48,000	4,272,000
98	Rubicon Placements	@ \$6,000	588,000
131	Vocational Assessments	@ \$2,100	275,100
112	Life Assessments	@ \$2,750	308,000
128	Seminars	?	
	Total over 5 Years		7,987,100

The total here suggests annual income from these programmes of \$1,597,420. Annual expenses less depreciation were \$1,892,516 for 2006 and \$1,806,245 for 2005 but for 2007 are budgeted to be \$1,604,127.

There were 29 further surveys returned, 18 Women's Congregations, 2 Clerical, 5 Dioceses and 4 unidentified all of whom indicated no commitments.

Income from seminars is difficult to estimate but it is noted that the total income for what was described as "workshops" was \$5,506 in 2006 and \$11,865 in 2005. Income from accommodation is \$200,000 each year. However this is a neutral item. Continuing Care is becoming a significant source of income with the fees charged for the review sessions.

There is clear evidence that some Bishops and Religious Leaders are unable to afford the professional fees for their members to participate in either of the intensive residential programmes currently conducted by Encompass. There have been some instances where Church Authorities have rejected the recommendations made by Encompass staff as a consequence of an assessment.

A not infrequent but disturbing response to a recommendation for intensive therapy has been a decision by a Church Authority to deny an offender the opportunity of participating in the Banksia program on the grounds that the offender will not return to active public ministry. Untreated offenders are at serious risk of re-offending. Failure to provide them with appropriate treatment exposes others to risk and does nothing for the credibility of the Church's efforts to implement the nine-point pastoral plan to respond to allegations of sexual abuse by clergy, religious and other Church personnel.

If the Church is to address the issue of sexual abuse by its members, its Religious Leaders and Bishops have no alternative but to take serious steps to implement credible procedures of Risk Management and Prevention. Integral to such procedures is the provision of intensive therapeutic intervention for known offenders and those at risk of offending whether or not there is any hope of their return to public ministry.

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Encompass was established primarily to provide such intervention. It makes no sense to have established such a provider and then to refrain from using it. Of course, there is a cost for the services which Encompass offers. The Church will be able to ensure that Encompass conducts its business on a break-even basis, only if Church Authorities avail of its services. Together, Church Authorities must find a way of helping one another to meet that cost. If they cannot, Encompass Australasia will necessarily cease to operate.

5 What are the possibilities available

The possibilities available for Encompass are:

- Continue as is
- Alliance/amalgamation with a Church Health provider
- An undertaking from the Bishops and Religious Leaders that they will support Encompass should the company fall into deficit (this is on the understanding the Company will undergo an efficiency audit to ensure the most economical practices are being adopted.
- A combination of the previous two options
- Close Encompass

5.1 Continue as is

As can be seen from the financials presented, the company is operating at a loss and has done so for the past few years. Unless there is a significant sustained change in the referrals to Encompass then the Board of Encompass does not believe that continuation is a viable option.

5.2 Alliance/Amalgamation

Discussions are currently underway with St John of God Health Services. Whilst there has been a willingness on both sides to discuss some form of amalgamation or alliance – no details have been worked through at this time. It is thought that certain synergies can be achieved by this amalgamation/alliance in areas such as administration and flexible use of staff.

5.3 Financial Support

There are two options set out below:

- Support/guarantee from ACBC and CRA should the company fall into a deficit – funds will be made available to ensure the company continues to operate
- At an Encompass Board meeting held in May 2007 Father Brian Lucas suggested a possible funding model whereby the Bishops and Congregational Leaders would purchase a “package” valued at \$50,000 representing an assessment and a residential programme. Approaches were made to Bishops and Congregational Leaders and unfortunately this did not produce the required number of “packages” to ensure the viability of Encompass.

5.4 Combination of Financial Support and Amalgamation

While the particular expertise of the Encompass staff is attractive to St John of God Health Care Services specific working arrangements have yet to be clarified, even though there will be some limited financial gains brought about by shared administrative services. The simple fact remains that the viability of Encompass will depend substantially on a continuing flow of clients to the residential services. It is clear from the volume of assessments and the number of recommendations for intensive therapy that there is no shortage of potential clients among the clergy and religious of Australia. It would appear that some Church authorities are unable to pay for Encompass programmes for their members for whom programmes have been recommended. Alternatively, they may find themselves in a situation where their members are decidedly reluctant to participate in Encompass programmes. There is some evidence to suggest that such reluctance has been increased or intensified by the kind of negative publicity promoted by articles such as those which have appeared in recent times in journals such as SWAG and the Tablet. So long as there is a dearth of clients for Encompass programmes and CRA and ACBC remain intent on keeping Encompass operating, the Australian Church would seem to have no alternative but to provide bridging finance.

5.5 Close Encompass

It must not be overlooked that any decision taken to close Encompass irrespective of timing will involve the payment of redundancies and salary entitlements. Because of the current tenuous financial circumstances in which Encompass finds itself closure will inevitably have some financial implications for ACBC and CRA.

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6 Conclusion

Conscious of the fact that ACBC and ACLRI (now CRA) established Encompass and continue to be committed to the 9 Point Plan of which Encompass is but one part, the Board of Encompass holds the view that Encompass cannot continue to operate without a significant level of financial support. The Board believes that some savings on the current operating costs can be made through rationalisation of administrative services on the proviso that Encompass become part of St. John of God Health Services. Amalgamation with St. John of God Health Care Services potentially opens the way for offsetting some Encompass staff salary costs to the extent that St. John of God Health Care Services seeks to avail of the experience and expertise of the clinical staff of Encompass. This matter awaits clarification.

A decision to close Encompass must surely take into consideration the fact that there is no equivalent or even near-equivalent treatment centre in the Southern hemisphere. Presumably there will always be some religious and clergy in Australia, New Zealand and Oceania in need of intensive therapy. The fee schedules at similar institutions such as Southdown in Canada and the St. Luke Institute in the United States are almost twice the amounts charged at Encompass. There is little likelihood of known sexual offenders qualifying for entry visas to these two countries. In the last 10 years of its operation, Encompass has treated 247 clients in intensive therapy programmes and provided 840 assessments. This represents a saving of approximately \$14 million (Aust) to the Church in this part of the world, were comparable services to have been sought in Canada and the United States. Moreover, closure of Encompass would mean that the wider community would be deprived of an effective and reputable risk management service that has been publicly proclaimed and recognised as a significant response to the issue of sexual abuse by clergy and religious.

The Church will then be depriving the community of an effective risk management service in a highly essential area, a service pronounced publicly as a significant response to the challenge of sexual abuse by clergy and religious. The disordered persons will be deprived of access to highly necessary treatment within the spiritual framework of a church health care entity. The responsible Church authority will be obliged to seek elsewhere services in relation to assessments and treatment of offenders

In conclusion, on assessment of these options, this report recommends the following:

The services which Encompass provides should continue to be made available through alignment with a Catholic Health Care provider together with an undertaking from the Bishops and Congregational Leaders to financially support Encompass through lean periods.