

Parochial Cost Recoveries for 2005

(A report from the Standing Committee.)

Background

1. This report is made under clause 3(2) of the Parochial Cost Recoveries Ordinance 2002 (the "2002 Ordinance") which requires that we report to the 3rd session of the 46th Synod about -

- (a) a description of the "ministry and property costs" payable in 2005 and an estimate of the amounts so payable, and
- (b) the estimated "cost recoveries charge" payable by each parochial unit in 2005 and details of how that charge is calculated.

2. For this purpose, "ministry and property costs" are the costs, expenses, charges and recoveries for 2005 referred to or contemplated under clause 10(2) of the Assessment and Charges Ordinance 1975 (the "1975 Ordinance").

3. In the 2002 Ordinance, the Synod agreed the formula by which ministry and property costs would be recovered from parochial units in 2003, 2004 and 2005. The agreed formula is set out in the Schedule to the 2002 Ordinance. The amount determined by that formula to be payable by each parochial unit as its contribution to total ministry and property costs is known as a "cost recoveries charge".

4. The agreed formula provides for the cost recoveries charge payable by each parochial unit in a particular year to be the sum of -

- (a) The minister and assistant minister charge for that year (calculated as the sum of the costs of superannuation, long service leave, stipend continuance insurance and assistance to cover the cost of a temporary minister during sickness or accident), *plus*
- (b) The variable charge for that year (consisting of the central ministry and property costs). For 2005, these costs comprise the parish property and public liability insurances and the provision for changes/relief in cost recoveries charges.

5. If the contributions, costs and charges for a minister or assistant minister are paid by another parochial unit or body, or do not apply to the minister or assistant minister, a pro rata rebate of the appropriate proportion of the minister and assistant minister charge is granted in respect of that part or parts of the year. Similarly, if a minister or an assistant minister is licensed to the parochial unit only for part or parts of the year, an appropriate proportion of the minister and assistant minister's charge is payable for such part or parts.

Components of ministry and property costs

6. In 2003, we adopted the policy that only direct parish related costs be included in the cost recoveries charge, and that contributions to the

costs of other projects be by way of a separate levy imposed on parochial units.

7. On the basis of the policy referred to in 6, we determined in 2003 that the following cost components not be included as part of the cost recoveries charge in 2004 or in future years -

- (a) the Archbishop's Professional Standards Unit,
- (b) accounting, tax, employment and property advice for parishes, and
- (c) the Parish Assistance Fund (being a fund which had existed from 2000 to 2003 as a transitional measure following the passing of the Parochial Cost Recoveries Ordinance 1999 which removed certain concessions enjoyed by some parochial units).

8. The policy referred to in 6 has been adopted in determining cost recoveries charges for 2005.

9. By resolution 27/03, the Synod asked that in calculating the cost recoveries charge payable by parochial units in 2005, consideration be given to providing for the creation of a mission partnership fund to be funded by such charges, and applied between the regional councils in a manner as we may determine. The Finance Sub Group of the Mission Taskforce, and the Mission Taskforce have considered this request but did not recommend that it be adopted. We have accepted that recommendation.

Ministry and property costs for 2005

10. The following is a description of the ministry and property costs which are payable in 2005 and an estimate of the expected increase in the amount of each of those costs.

Superannuation

11. It is expected that the cost per minister will increase 4%, due to an expected increase in stipends for 2005.

Long Service Leave

12. The anticipated cost for 2005 reflects a 4% increase in the premium rate.

Stipend Continuance

13. The insurance premium cost for 2005 per member of the clergy will remain unchanged. The benefit remains set at 75% of the minimum package.

Assistance to cover Sickness and Accident

14. The Standing Committee has accepted the Mission Taskforce's recommendation that the charge per member of the clergy remain unchanged from 2004.

Insurances

15. The overall cost of insurance for parochial units in 2005 is estimated to be \$2.607 million (an increase of 3% over 2004). The expected premium increases for different insurance policies range from 7.5% to 20%, however the final actual cost in 2004 in a number of categories of insurance was less than had been anticipated when the parochial cost recoveries charge was set prior to Synod in 2003. Only small increases are expected in broker fees, administration and incidentals and no increase is expected in the value of the aggregate deductible (excess on claims).

Cost Recoveries Charge for 2005

16. We have applied the formula agreed by the Synod in 2002 to estimate the cost recoveries payable by each parochial unit in 2005. Annexure A sets out the method of calculation of this charge together with an estimate of the variable cost component for each parochial unit. (These estimates are exclusive of GST which will be payable by those few parochial units not registered as part of the Anglican Religious Group).

17. Where the actual net receipts for a parochial unit for 2003 had not been finalised at the time of this report, an estimate based on 2002 Net Receipts plus 20% is shown in Annexure A. Actual net receipts may not be available if the parochial unit has not submitted its 2003 Annual Financial Return, or has submitted an incomplete Annual Financial Return, or some aspect of the calculation has been queried and the query has not been resolved at the time of this report.

18. The total charge for each parochial unit is the sum of the minister and assistant minister costs per person multiplied by the number of such persons licensed to and paid by the parochial unit in 2005, and the variable charge calculated for that parochial unit.

Minister and Assistant Minister Charge

19. Based on the costs estimated above, for 2005 the Minister and Senior Assistant Minister Charge is estimated to be \$9,394 (2004 - \$9,136). For each other Assistant Minister the charge is estimated to be \$8,666 (2004 - \$8,436). The following table details the components of those charges.

52 **Report of Standing Committee & Other Reports & Papers**

	<i>Actual 2004</i>		<i>Proposed 2005</i>	
	<i>Minister and Senior Assistant Minister (7+ years)</i>	<i>Assistant Minister (1-6 years)</i>	<i>Minister and Senior Assistant Minister (7+ years)</i>	<i>Assistant Minister (1-6 years)</i>
Superannuation	7,000	6,300	7,280	6,552
Long Service Leave	975	975	1,015	1,015
Stipend Continuance Plan	925	925	925	925
Sickness/Accident Fund	236	236	236	236
Estimated Total Charge	9,136	8,436	9,456	8,728
Increase over previous year	8.0%	8.4%	3.5%	3.5%

20. The actual minister and assistant minister charge may vary slightly from these estimates if the actual increase in stipends to be approved after this report is printed differs from the estimate used in this calculation.

Variable charge

21. As indicated above, the variable charge is calculated as a percentage of the net receipts of a parochial unit. For 2005, the variable charge payable by each parochial unit is estimated to be 4.92% (2004 - 5.10%) of the parochial unit's net receipts for 2003. In calculating the rate of variable charge for 2005 the only costs included are the full cost of the parochial property and liability insurance program of \$2.607 million (2004 \$2.531 million) and the provision for cost recoveries changes of \$50,000 (2004 \$25,000).

22. The actual variable percentage charge may vary from these estimates if the actual increase in insurance premiums differs significantly from estimates used in this calculation or if the actual Net Receipts of parishes that have not yet submitted Annual Financial Returns for 2003 differs significantly from the estimates used in Annexure A.

Payment of Charges by Direct Debit

23. The Standing Committee wants to encourage parochial units to pay their cost recoveries charges by direct debit to ease collection costs. For this purpose we have -

- (a) authorised the Secretariat to offer a reasonable discount to parochial units which permit the collection of cost recoveries charges by direct debit, and
- (b) asked that the Archdeacons speak to each parochial unit not currently using the direct debit system, and report to the Mission Taskforce on any problems those parochial units foresee in changing to that system.

Recommendation

24. The Standing Committee recommends that the Synod receive this report.

For and on behalf of the Standing Committee

BISHOP PETER TASKER

23 August 2004