

## **Parochial Cost Recoveries Ordinance 1999**

### **Explanatory Report**

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### **Overview**

#### **1. Introduction**

1.1 We are grateful to our Heavenly Father for the blessings of both living messengers and parish buildings He has granted us which provide for gospel ministry in our Diocese.

1.2 We are also grateful for those parishes who not only bear the cost of their own ministry and property costs but are also willing to help pay those costs for lower income parishes.

1.3 We are mindful of the responsibilities we have towards God, to be good stewards in a way that glorifies His name.

#### **2. Aims and Objectives**

##### *Aims*

2.1 The aims of the Bill are to implement -

- (a) the principle that costs and services contracted centrally on behalf of all parochial units are recovered from each parochial unit; and

- (b) a process of cost recovery which is justifiable, accurate and fair, recognising that some parochial units should receive assistance.

*Objectives*

2.2 Key objectives in the Bill are to -

- (a) determine the estimated parochial ministry and property costs incurred centrally for 2000;
- (b) agree a cost recovery formula that will apply for the 3 years 2000 to 2002;
- (c) specify the cost recoveries charge for parochial ministry and property costs for the year 2000;
- (d) authorise the Standing Committee to apply the cost recovery charges paid in 2000 - 2002 towards ministry and property costs incurred centrally on behalf of parochial units;
- (e) provide Regional Councils with funds to develop parish ministry.

**3. Parish Cost Recoveries Committee**

3.1 Synod resolution 32/98 asked Standing Committee to appoint a committee to review the cost recovery formula under triennial arrangements, to take account of the possible extra burden borne by multiple church units with extra clergy, together with other matters, and to report to Synod in 1999. A separate report summarising the work of the committee and its proposals is printed and members are encouraged to read it carefully.

3.2 The report summarising the work of the committee and its proposals indicates that the Standing Committee has agreed the following points of principle in relation to the recovery of parish ministry and property costs -

- (a) all parochial units should accept responsibility for and pay those costs associated with their rector or curate in charge, notwithstanding that a parochial unit is in receipt of or may require short or long term financial assistance (see 5);
- (b) the discount of 50% of the minimum charges for provisional parishes should be discontinued;
- (c) a Parish Assistance Fund should be created and funded through a percentage charge against net receipts of all parochial units (see 7);
- (d) property insurance is to be a shared responsibility (see 6.1 (a)) -
  - (i) a portion of premiums is to be a charge against the Diocesan Endowment (being that proportion of the total cost attributable to parochial units with property values equal or greater than \$4.1 million when calculated on a proportion of total property insured basis); and

- (ii) the balance is to be collected through a charge against the net income of all parochial units;
- (e) all other costs including liability insurances, charges for the sexual misconduct protocol and any other central programs or activities approved from time to time are to be recovered through a charge against the net income of all parochial units;
- (f) the charges of the Property Trust's titles registry are to be removed as a cost to parochial units (see 6.4);
- (g) phasing-in of changes to the recovery processes is to be so structured that for the years 2000 and 2001, no parochial unit will be asked to pay more than it would otherwise have done had the arrangements agreed by Synod in 1998 for 1999 been continued.

3.3 The Standing Committee recommends that a new formula developed by the committee be reported to Synod for use in 2000-2002. The new formula, and the reasoning behind it, are explained in the report summarising the work of the committee, and are briefly explained below (see 8.1).

#### **4. Form of the Bill**

4.1 The Bill is in a similar form to the relevant part of the Synod Appropriations Ordinance 1998 but contains additional clauses to give effect to the changes agreed by Synod in 1998. The Bill has 1 schedule which sets out the formula for the recovery of the costs set out in the detailed statement.

4.2 This report is intended to help the Synod focus on policy issues, the costs and the principles of the cost recovery formula. There are 2 attachments to this report, namely the statement of estimated parish ministry and property costs and a list of parochial units with their relevant estimated cost recovery charges for 2000. The attachments form part of the Bill.

4.3 The cost recoveries formula in the Bill's schedule, once adopted by Synod, is agreed for the 3 years 2000 to 2002. It is not planned to debate this formula again at Synod in 2000 and 2001.

4.4 Costs for 2000 over 1999 have increased by about 12.5%, predominantly due to the new Parish Assistance Fund and the Professional Standards Unit. Recoveries for 2000 over 1999 have increased by about 7.1%.

#### **Costs**

##### **5. Rector's/Curate-in-Charge and Senior Assistant/ Assistant Minister Costs**

5.1 Each parochial unit must pay the actual cost of its minister and any assistant ministers, consisting of superannuation, long service leave, stipend continuance plan and sickness and accident fund. For 2000 these costs are estimated to be \$7,279

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for each Rector/ CIC or Senior Assistant minister (being an assistant minister with 7 or more years service) and \$6,688 for each other assistant minister -

<i>Rector, Curate-in-Charge, Senior Assistant and Assistant Minister Charges</i>	<i>Rector, C-I-C and Senior Asst Minister \$</i>	<i>Assistant Minister \$</i>
Superannuation	5,914	5,323
Long Service Leave	980	980
Sickness/Accident Fund	83	83
Stipend Continuance Plan	302	302
Estimated Total Charge	7,279	6,688
Increase over last year	3.6%	3.6%

5.2 Increases in costs to provide for wage inflation adjustments for most continuing programmes are proposed. The Secretariat's Stipend Continuance Plan for Clergy increase of \$13,000, which is above wage inflation, is proposed due to an increase in premiums.

**6. Other Ministry and Property Programmes Run Centrally**

6.1 The Church Property Trust's parish insurance programme provides insurance cover for property and contents, public liability and other liabilities. A reduction in grant of \$97,000 is proposed in line with their request due to consistently successful negotiations reducing the premium. However premiums may increase during the next few years due to global market forces. The schedule of building value estimates and their method of calculation were reviewed and it was determined that most buildings above \$4.1 million were "heritage" constructed buildings and most below \$4.1 million were "contemporary" constructed buildings. On the basis that premiums were allocated in accordance with building valuations on a pro-rata basis, then the cost to insure any buildings above a threshold of \$4.1 million was calculated at \$194,000 and it is proposed to fund this by a grant from the Synod Estimates Ordinance. The remainder of the Property Trusts's insurance cost amounts to \$741,000;

6.2 The Archbishop's Professional Standards Unit is the new name for the Sexual Misconduct Protocol and its cost has been reintroduced for 2000. It was not funded last year due to reserves held from grants in previous years and a grant of \$185,000 is proposed compared to the request of \$203,000 to provide 60% (3 days per week) secretarial support rather than full time. [Clause 8 of the Bill continues to preserve an

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emergency levy on each parish of up to \$500 and on each provisional parish of up to \$250 if a major need arises.]

6.3 The Secretariat's GST manual and advice for parishes is a new initiative to ensure parishes register and set up procedures to claim back the maximum GST allowable by law totalling about \$1.5 million per annum for all parochial units. A grant is recommended of \$40,000 for 2000. The programme is expected to phase out in December 2001. Because the benefits of this programme are related to each parish's receipts the grant is to be recovered in the % charge on net receipts.

6.4 The Standing Committee has decided to move the Church Property Trust's Parish Titles Registry, meetings and enquiries cost out of the Parish Cost Recoveries Ordinance and to include it in the Synod Estimates Ordinance as a Diocesan service.

6.5 In previous years the list of parochial cost recoveries attached to the explanatory report has not shown the charge to each parochial unit for their assistant minister(s), nor has any information been provided about lay staff costs. The following table shows the actual "overhead" costs paid in 1998 by a representative sample of parochial units for their cost recovery charges (including clergy on-costs noted in 5.1), plus similar lay staff on-costs.

<b>Sample of Parochial Units - Comparison of "Overhead" Costs to Net Receipts</b>			
Name	Net Receipts \$	Total of Cost Recovery Charge plus Lay Staff on-costs \$	% Total Costs to Net Receipts
Centennial Park	875,065	95,472	10.9
Castle Hill	767,561	84,994	11.1
Miranda	351,264	41,279	11.8
Broadway	347,493	48,706	14.0
Dapto	223,586	23,480	10.5
Liverpool	160,663	19,740	12.3
Carlton	160,591	19,005	11.8
Belmore	99,632	14,383	14.4
South Coogee	99,158	10,722	10.8
Eagle Vale	59,933	7,420	12.4
Waitara	58,993	8,920	15.1

This indicates that the total of cost recovery charges and lay staff on-costs compared to net receipts in a wide range of parochial units is contained within a narrow band between 10% and 15%.

## **7. Parish Assistance Fund**

7.1 The Parish Assistance Fund totals about \$300,000. This consists of the amounts that will be paid through Regional Councils to parochial units to ensure that they are not worse off compared to the previous recovery formula adopted by Synod in 1998 for 1999.

7.2 To calculate the Parish Assistance Fund the list of parochial units shows a column headed "2000 using 1999 formula" which applied the 1998 formula with a minimum charge of \$9,048 (1999 \$8,535) **plus** 5.0% (1999 4.95%) of net receipts over a threshold amount of \$74,000 (being a inflation adjustment of the 1999 threshold of \$73,000). Provisional parishes were allowed a 50% subsidy with a minimum charge of \$4,524 **plus** 5.0% of net receipts over \$74,000. The difference between the column headed "2000 proposal" and the column headed "2000 using 1999 formula", where this is positive, is shown in the column headed "Parish Assistance Fund". This details the amount of parish assistance which will be paid to each parochial unit in 2000. The effect of this approach is that all parochial units will contribute to the Parish Assistance Fund, and naturally higher income parochial units will contribute a greater proportion.

7.3 In 2001 the Parish Assistance Fund will again be calculated and allocated in the same way through Regional Councils and tied to the same parochial units listed (except for changes due to amalgamation, change of status, etc). In 2002 it will be calculated in the same way, but the Regional Councils will determine without ties the allocation of the fund to develop parish ministry.

## **Recovery of Costs**

### **8. Recovery Formula 2000 - 2002**

8.1 The schedule sets out the new formula for 2000 as -

- (a) Rector's/Curate-in-Charge charge estimated at \$7,279 (see 5.1 for cost components);
- (b) Senior Assistant minister charge estimated at \$7,279 and Assistant minister charge estimated at \$6,688 (see 5.1) where applicable;
- (c) Other ministry and property programs run centrally for 2000 consisting of the balance of insurances \$741,000 (see 6.1), Professional Standards Unit \$185,000 (see 6.2) and GST manual and advice \$40,000 (see 6.3) are to be recovered from the 3.2% charge on each parochial unit's 1998 net receipts;

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- (d) Parish assistance fund (see 7.1) of about \$300,000 for 2000 is to be recovered from the 3.2% charge on each parochial unit's 1998 net receipts.

8.2 It is estimated that the amounts received from applying the formula referred to in 8.1 including the additional payments for each senior assistant/assistant minister, plus the contribution towards insurance costs from the Synod Estimates Ordinance, will meet the total amount of parish ministry and property costs in 2000 of \$4,040,000 (see 11.1).

**9. List of Parochial Units - Estimated Cost Recovery Charges 2000**

9.1 The list of parochial units shows the application of the formula to produce an estimate of the cost recoveries charge to be made to each parochial unit, including their senior assistant/assistant minister costs. The estimated cost recoveries charge for parochial clergy of \$7,279 and \$6,688 may vary a small amount due to certain actual costs not being known until late 1999 eg. Superannuation.

**10. Transfer from Synod Estimates Ordinance**

10.1 A contribution towards insurance costs for parish property with heritage buildings of \$194,000 from the Diocesan Endowment via the Synod Estimates Ordinance (see 6.1 above).

**Conclusion**

**11. Summary of Parochial Costs and Recoveries**

11.1 The recovery of costs and services contracted centrally on behalf of parochial units using a justifiable, accurate and fair process, recognising that some parochial units should receive assistance, can be summarised as follows -

<b>Summary of Parochial Costs and Recoveries</b>				
	(\$000's)			
	Actual	Estimate	Forecasts	
<i>Parochial Costs</i>	1999	2000	2001	2002
Parochial Ministry and Property Costs	3,590	4,040	4,134	4,231
<i>Parochial Cost Recoveries</i>				
Parochial Cost Recovery Charges	3,590	3,846	3,934	4,025
Transfer from Synod Estimates Ordinance	-	194	200	206
<b>Total Recoveries</b>	<b>3,590</b>	<b>4,040</b>	<b>4,134</b>	<b>4,231</b>

For and on behalf of the Standing Committee  
M.S. FRANCIS

23 July 1999

[Annexures - not reproduced here]