

Parochial Cost Recoveries Ordinance 2002

Explanatory Report

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Overview

1. Aims and objectives

Aims

1.1 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.

Objectives

1.2 Key objectives in the bill are to -

(a) determine the estimated parochial ministry and property costs incurred centrally for 2003,

(b) agree a cost recovery formula that will apply for the 3 years 2003 to 2005,

(c) specify the cost recoveries charge for parochial ministry and property costs for 2003,

(d) authorise the Standing Committee to apply the cost recovery charges paid in 2003-2005 towards ministry and property costs incurred centrally on behalf of parochial units,

(e) provide regional councils with funds to develop parish ministry.

2. Form of the bill

2.1 The bill is in a similar form to the Parochial Cost Recoveries Ordinance 1999, as amended, and has a schedule which sets out the formula for the recovery of the costs set out in the detailed statement.

2.2 This report is intended to help the Synod focus on policy issues, the costs and the principles of the cost recovery formula. There is an attachment to this report, namely the list of parochial units with the estimate of their cost recovery charges for 2003.

2.3 In total the parish ministry and property costs for 2003 are expected to increase by about 24% over 2002, mainly due to an 89% increase in the cost of the property and liability insurance program.

Costs

3. Minister and assistant minister costs

3.1 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 2003 these costs are estimated to be \$8,590 for each minister or assistant minister with 7 or more years service and \$7,903 for each other assistant minister -

	<i>2002 actual Minister and Assistant Minister 7+ years \$</i>	<i>2002 actual Assistant Minister 1-6 years \$</i>	<i>2003 proposed Minister and Assistant Minister 7+ years \$</i>	<i>2003 proposed Assistant Minister 1-6 years \$</i>
Superannuation	6,536	5,882	6,875	6,875
Long Service Leave	963	963	955	955
Sickness/Accident Fund	114	114	250	250
Stipend Continuance Plan	505	505	510	510
Estimated Total Charge	8,118	7,464	8,590	7,903
Increase over previous year	8.8%	9.1%	5.7%	5.7%

3.2 Increases in costs are expected to provide for wage inflation adjustments for most continuing programs, an increased claims experience in the Sickness/Accident Fund and higher premiums for the Secretariat's Stipend Continuance Plan for clergy.

3.3 The minister and assistant minister charges applicable to a parochial unit will be reduced by a pro rata rebate for any part of the year for which the contributions, costs and charges for the minister or assistant minister are paid by another parochial unit or body, or do not apply to the minister or assistant minister.

4. Other ministry and property programmes run centrally

4.1 The Property Trust's parish insurance program provides insurance cover for property and contents, public liability and other liabilities. The cost of premiums in 2002 for the policies in this program was significantly higher than was estimated when the recovery charge was set. The Property Trust has funded the shortfall from its insurance reserves. The estimated premiums for 2003 are substantially higher again and the charge to all parochial units in 2003 is based on a recovery of the full cost of the 2003 insurance program, which includes an appropriate increase in the provision for future self insurance and contingencies.

4.2 It is proposed that the direct Synod grant towards the cost of insuring the heritage parish buildings be increased in 2003 in line with the 89% increase in the overall cost of the parish insurance program.

4.3 Funding for the Archbishop's Professional Standards Unit has been increased to cover the increased workload. Secretarial assistance has increased from 2.5 days to 5 days per week and there will be some increase in the use of external counsellors. As part of the pro-active measures to deal with cases coming to the Unit provision has been made to employ a part-time chaplain/ counselling co-ordinator with a direct and dedicated role as the Archbishop's delegate/ representative to take the initiative in providing on-going care and support.

4.4 Funding for the Secretariat's assistance and advice to parishes in relation to accounting, tax, employment and property matters is unchanged from 2002.

4.5 Funding is needed for a provision for changes/relief from the parochial cost recoveries charge for circumstances where Standing Committee declares by resolution that it is expedient to make such changes or grant such relief under clause 15(4) of the Assessment and Charges Ordinance 1975.

5. Parish Assistance Fund

5.1 The Parish Assistance Fund totals about \$330,000

and is calculated as 0.7% of each parochial unit's estimated net receipts for 2001. The allocation of these funds to regional councils will be determined by Standing Committee and then each regional council will be responsible for distributing the funds within their region in the manner they determine will best support and develop parish based ministry in their region.

Statement of costs of other ministry and property programs run centrally

	Approved in 2002 \$000s	Recommended in 2003 \$000s	Increase %
Parish property and liability <i>Church Property Trust</i>	1,070	2,024	89
less contribution from Synod funding <i>Synod Appropriations Ordinance</i>	-206 864	-385 1,639	87 90
Professional Standards Unit <i>Archbishop</i>	250	330	32
Account, tax, employment & property advice <i>Sydney Diocesan Secretariat</i>	125	125	-
Provision for changes/relief <i>Sydney Diocesan Secretariat</i>	20	25	25
Parish Assistance Fund <i>Regional Councils</i>	300	330	10
Total	1,559	2,449	57
Variable charge (% Net Receipts)	3.47%	5.18%	49%

Recovery of costs

6. Recovery formula 2003-2005

6.1 Applying the formula in the schedule to the bill to the costs for 2003 gives -

(a) Minister and assistant minister with 7 or more years service charge estimated at \$8,590 and other assistant minister charge estimated at \$7,903 (see 3.1) where applicable, plus

(b) The variable component calculated as 5.18% of each parochial unit's 2001 net receipts to cover the other ministry and property programs run centrally for 2003 consisting of -

(i) property and liability insurances \$2,024,000 (see 4.1),

(ii) Synod funds contribution to parish insurances \$385,000 (see 4.2),

(iii) Professional Standards Unit \$330,000 (see 4.3),

(iv) accounting, tax, employment and property advice \$125,000 (see 4.4),

(v) provision for changes/relief \$25,000 (see 4.5), and

(vi) Parish Assistance Fund \$330,000 (see 5.1).

6.2 It is estimated that the amounts received from applying the formula referred to in 6.1 will meet the total amount of parish ministry and property costs in 2003 of \$5,827,000 based on the estimates of costs available at August 2002 and actual or estimated 2001 net receipts for parochial units.

7. List of parochial units - estimated cost recovery charges 2003

7.1 The estimated cost recoveries charge for each parochial unit for 2003 will be the sum of -

(a) the minister and assistant minister charge applicable to the individuals licensed to that parochial unit during the year, less any rebates applicable (see 3.3), plus

(b) the variable component of the charge based on net receipts for year ended 31 December 2001

as shown in Attachment A.

7.2 The list of parochial units shows the application of the variable component of the parochial cost recoveries charge (based on 5.18% of 2001 net receipts in the case of 2003). The list also shows an indication of the minister and assistant minister charges based on limited information current at July 2002. The actual charges for each parochial unit for 2003 will be based on the Registrar's records of ministers and assistant ministers licensed to each parochial unit, less any adjustment for a rebate in accordance with paragraph 3.3 above. The estimate of the total charge payable in 2003 for each parochial unit is the sum of the appropriate minister and assistant minister charge plus the variable component charge shown in the list.

7.3 The estimated cost of the minister and assistant minister charge may vary a small amount due to certain actual costs not being known until late 2002. For example, the actual superannuation charge for 2003 cannot be calculated until the minimum stipends for 2003 are determined later this year.

7.4 The variable component of the charge (estimated at 5.18% of net receipts) may vary slightly if the actual costs of some elements of the other ministry and property programs run centrally vary significantly from the present estimates, or if parishes that have not yet lodged their annual financial return for 2001 do so and this reveals their net receipts are significantly different from the current estimate.

8. Charges for 2004 and 2005 - Review to be undertaken of components

8.1 The same formula as will apply in 2003 will be used to calculate the parochial cost recoveries charge in 2004 and 2005 based on the minister and assistant minister charges applicable to each year plus a variable component expressed as a percentage of each parochial units net receipts to recover the other ministry and property programs run centrally.

8.2 The actual components of the other ministry and property programs run centrally (refer table in 5.1 above) to be recovered by way of the variable percentage charge in 2004 and 2005 will be determined after a full review of all these costs to be undertaken by the Mission Taskforce on behalf of the Standing Committee in 2003.

For and on behalf of the Standing Committee

MARTIN THEARLE

Deputy General Manager, Secretarial

16 September 2002

Attachment A - List of parochial units - estimated variable cost recovery charges 2003