



Parochial Cost Recoveries for 2002

(A report from the Standing Committee.)

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Background

1. This report is made to the Synod under clause 2(2) of the [Parochial Cost Recoveries Ordinance 1999](#) (the "1999 Ordinance") which requires that the Standing Committee report to the 3rd session of the 45th Synod about -

(a) a description of the "ministry and property costs" payable in 2002 and an estimate of those costs; and

(b) the "cost recoveries charge" payable by each parochial unit in 2002 and details of how that charge is calculated.

2. For this purpose, "ministry and property costs" are the costs, expenses, charges or contributions which, in the opinion of the Standing Committee, have been incurred, or will be incurred, on behalf of or in relation to a parochial unit or any members of the clergy licensed to a parochial unit.

3. In 1999, the Synod agreed the formula by which ministry and property costs would be recovered from parochial units in each of 2000, 2001 and 2002. The agreed formula is set out in the Schedule to the Parochial Cost Recoveries Ordinance 1999. 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 that the cost recoveries charge payable by each parochial unit in a particular year is the total of the following charges for that year -

(a) *the "Fixed Charge"* - This charge reflects the principle adopted by the Synod in 1999 that all parochial units should pay the "on-costs" associated with a rector or curate-in-charge. It is 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.

(b) *the "Assistant Minister Charge"* - The same principle was also applied to mean that all parochial units should pay the "on-costs" for each assistant minister licensed to the parochial unit. The charge for each assistant minister is 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.

(c) *the "Variable Charge"* - This is the contribution of the parochial unit to other central ministry and property costs (excluding those recovered as part of the Fixed Charge or the Assistant Minister Charge) and is expressed as a percentage of the net receipts of the parochial unit, as determined under the Assessment and Charges Ordinance 1975. The ministry and property costs which are funded by the Variable Charge include the parish property and officer's insurances, the Archbishop's Professional Standards Unit, the accounting, tax and employment relations advice for parishes and the Parish Assistance Fund. In 2002 the new parish property resource will be added to these costs funded 50% by the variable charge.

5. Under the agreed formula, if the Fixed Charge for a person acting as the minister of a parochial unit is paid by another parochial unit or body, the cost recoveries charge payable by the parochial unit may be reduced by an amount equal to the Assistant Minister Charge for 1 assistant minister.

Parish Assistance Fund

6. A consequence of the adoption by the Synod of the formula referred to in item 5 above is that the financial concession to provisional parishes in years prior to 2000 (being a 50% reduction in the minimum cost recoveries charge) is no longer available. The Synod considered that this form of financial concession was invisible and undesirable, and too broad a policy to serve a strategic purpose.

7. The Synod has established a Parish Assistance Fund for the development of parish ministry. Each year, as part of the Variable Charge, each parochial unit will make a contribution to the Fund. The total amount of those contributions will then be distributed among parochial units by the regional councils for the purpose of assisting parochial units.

8. As a transitional measure, in 2000 and 2001, the Parish Assistance Fund was used to provide a rebate to each parochial unit which was required to pay a cost recoveries charge of an amount which is greater than the charge that would have been payable had the charge been calculated using the formula applicable in 1999.

9. For 2002 the amount of the total contributions by parochial units to this Fund was again determined by calculating the aggregate total of the amount by which the cost recovery charge for each parochial unit exceeds the charge that would have been payable had it been calculated using the formula applicable in 1999. For 2002 the distribution of funds from the Parish Assistance Fund will be determined by the regional councils. Each regional council will have available for distribution the total of the amount by which the cost recovery charge exceeds the amount that would have been payable using the 1999 formula, for all parochial units in its region.

10. Having agreed in 1999 the formula to calculate the cost recoveries charges payable in 2000, 2001 and 2002, an ordinance is not required to be promoted to the Synod in 2001 to adopt those charges for 2002. Rather, the Standing Committee has authority to apply the formula agreed in 1999 and calculate the cost recoveries charge payable by each parochial unit in 2002.

Ministry and property costs for 2002

11. Attached as [Annexure A](#) is a description of the ministry and property costs which the Standing Committee considers are payable in 2002, and an estimate of the amount of each of those costs, totalling \$4.663 million (2001 - \$4.166 million). The one new category of cost for 2002 relates to the funding for 50% of a new property resource within the Diocesan Secretariat to assist parochial units to manage their property. (The other 50% of this cost will be met by the Secretariat from its allocation under the Synod Appropriations and Allocations Ordinance 2001.)

Superannuation

12. It is expected that the total of this cost will rise by 12.9%, reflecting mainly an increase in the number of parish clergy. The cost per minister increases 4.9%, principally due to an expected increase in stipends for 2002.

Long Service Leave

13. The anticipated cost for 2002 reflects an increase of 28 in the number of qualifying clergy, an increase in the premium rate and the need to cover an expected deficit in the fund at the end of 2001 compared with a surplus brought forward the prior year.

Stipend Continuance

14. The increase in the anticipated cost for 2002 takes account of the need to fund the substantial increase in benefit agreed during 2001 (benefit now 75% of minimum package instead of 75% of minimum stipend).

Assistance to cover Sickness and Accident

15. The cost rise results from the need to cover a small expected deficit at the end of 2001 and the increased level of claims experienced during 2000 and 2001.

Insurances

16. The overall cost of insurance for parochial units in 2002 is expected to be \$1.070 million (an increase of 2.4%). Within this cost there is only a small increase in the sum insured, and a 20% increase in premiums has been partly offset by a decrease in the new amounts set aside for the provision for future self insurance and contingency. Across individual insurance policies the premium for the primary property and contents insurance has not increased because a fixed rate was negotiated for 4 years from 1999. However, there have been significant increases in the premiums for public liability, directors & officers, professional indemnity, employment practices and fidelity guarantee policies.

As in prior years, part of the cost of insurance for heritage buildings (that is insurance for buildings above a threshold value of \$4.1 million) will be paid by a grant under the Synod Appropriations and Allocations Ordinance 2001. For 2002 this grant will be \$206,000 (2001 - \$200,000) making the net amount to be recovered from parochial units only \$864,000.

Property resource

17. The question as to how best the Secretariat could support parishes and regions in property matters has been debated in several forums on several occasions. The proposal is that a senior property specialist be appointed to the Secretariat with the brief to -

- (a) assist parishes in property management strategy, project planning, project management and presentation,
- (b) assist regional councils in the development of local strategies and projects,
- (c) provide support to the New Sites Committee and Church Property Trust with a view to facilitating decisions and expediting projects,
- (d) provide support to the Vision for Growth Committee in the development and evaluation of vision proposals.

The intention is that utilisation of the resource be voluntary - that is, there will be no compulsion to employ its services. In this way the role person will have to earn the right to add value to local decision making and local management. Initially 50% of the cost will be funded from the parish cost recoveries with the balance coming from the Secretariat as part of the Synod Appropriations and Allocations Ordinance 2001. In time it is expected that by agreement funding will also come from a fee charged to major projects managed by the role/person.

Professional standards unit

18. The professional standards unit is responsible for administering the sexual misconduct protocol and child protection legislation. Following the appointment of a full time director with secretarial assistance in 2000, the cost of the unit in 2002, which includes an amount set aside to increase the reserve for legal contingencies, is expected to remain unchanged from the 2001 year.

Accounting, tax and employment relations advice

19. This is the estimated cost of accounting assistance and advice (including the on-going development costs of the Sydney Anglican Parish Accounting System) and the continuing update and assistance to parishes provided in relation to taxation (including GST) and employment relations advice.

Parish Assistance Fund

20. The amount of the Parish Assistance Fund in 2002 is estimated to be about \$300,000. This is the total of the amounts by which the cost recoveries charge for individual parochial units exceeds the charge that would have been payable had it been calculated according to the formula applicable in 1999. A subtotal of this calculation by region is shown in [Annexure B](#) and it is this amount which each of the respective regional councils will have available for the purpose of assisting parochial units in their region.

Cost Recoveries Charge for 2002

21. The formula agreed by the Synod in 1999 for the calculation of cost recoveries in 2000, 2001 and 2002 has been applied by the Standing Committee to estimate cost recoveries payable by each parochial unit in 2002. [Annexure B](#) sets out the estimate for each parochial unit, together with subtotals by region. (These estimates are exclusive of GST which will be payable by those few parochial units not registered as part of the Anglican Religious Group).

Fixed Charge and Assistant Minister Charge

22. Based on the costs estimated above, for 2002 the Fixed Charge for each parochial unit is calculated to be \$8,118 (2001 - \$7,464). The Assistant Minister Charge is estimated to be \$8,118 (2001 - \$7,464) for a senior assistant minister and \$7,464 (2001 - \$6,841) for each other assistant minister. The following table details the components of those charges.

Fixed Charge	Assistant Minister Charge	
\$	Senior Assistant	Other
	Minister	Assistant
	\$	Minister
		\$

Superannuation	6,536	6,536	5,882
Long Service leave	963	963	963
Stipend Continuance Plan	505	505	505
Sickness/Accident Fund	114	114	114
Total Charge	8,118	8,118	7,464
Increase over 2001	8.8%	8.8%	9.1%

Variable charge

23. As indicated in item 4(c) above, the Variable Charge is calculated as a percentage of the net receipts of a parochial unit. For 2002, the Variable Charge payable by each parochial unit is estimated to be 3.47% (2001 - 3.30%) of the parochial unit's net receipts for 2000. In calculating the rate of the Variable Charge for 2002, the following costs have been included - the insurances program referred to in paragraph 16 above, 50% of the costs of the property resource (paragraph 17), the costs of the professional standards unit (paragraph 18), the costs of the accounting, tax and employment relations advice for parochial units (paragraph 19) and the amount required to fund the Parish Assistance Fund (paragraph 20).

Application of the Parish Assistance Fund

24. As noted in paragraph 9 the distribution of the Parish Assistance Fund in 2002 will be determined by the regional councils.

Recommendation

25. Standing Committee recommends that the Synod receive this report.

For and on behalf of the Standing Committee

RODNEY DREDGE
Chief Operating Officer, Sydney Diocesan Secretariat

28 August 2001