

## **Parochial Cost Recoveries Ordinance 2005**

### **Explanatory Report**

<i>Contents</i>	<i>Sections</i>
1. Overview	
Purpose of the proposed ordinance .....	1.1-1.2
2. Ministry and Property Costs	
Components .....	2.1
Minister and assistant minister costs .....	2.2-2.7
Other ministry and property costs .....	2.8-2.12
3. Recovery of Costs	
Cost recovery formula for 2006, 2007 and 2008 .....	3.1
List of parochial units - estimated cost recovery charges 2006 .....	3.2-3.4
4. Recommendation	
Recommendation .....	4.1
Attachment A	
List of parochial units - estimated cost recovery charges 2006 .....	A

### **1. Overview**

#### **Purposes of the proposed ordinance**

- 1.1 The purposes of the proposed ordinance are -
- to determine the estimated ministry and property costs for 2006 which are to be paid for, or on behalf of, parochial units in the Diocese, and
  - to specify the formula that will apply for 2006, 2007 and 2008 to calculate the cost recoveries charges payable by each parochial unit to recover those costs, and
  - to authorise the Standing Committee to apply the cost recovery charges towards the ministry and property costs incurred on behalf of parochial units.
- 1.2 This report focuses on the policies and principles underlying the proposed ordinance. The attachment lists the parochial units with the estimate of their cost recovery charges for 2006.

### **2. Ministry and Property Costs**

#### **Components**

- 2.1 The proposed ministry and property costs for 2006 comprise 2 components -
- the minister and assistant minister costs, and
  - other ministry and property costs.

**Minister and assistant minister costs**

*Introduction*

2.2 Each parochial unit is to pay, for its minister and each assistant minister, the costs of superannuation, long service leave, stipend continuance insurance and sickness and accident fund contributions. For 2006 these costs are estimated to be \$10,148 for each minister or assistant minister with 7 or more years service, and \$9,319 for each other assistant minister.

	<i>2005 actual Minister and Assistant Minister 7+ years \$</i>	<i>2005 actual Assistant Minister 1-6 years \$</i>	<i>2006 proposed Minister and Assistant Minister 7+ years \$</i>	<i>2006 proposed Assistant Minister 1-6 years \$</i>
Superannuation	7,443	6,698	7,805	7,025
Long Service Leave	1,015	1,015	1,093	1,093
Sickness/Accident Fund	174	174	240	240
Stipend Continuance Plan	925	925	1,010	961
Estimated Total Charge	9,557	8,812	10,148	9,319
Increase over previous year	4.6%	4.5%	6.1%	5.7%

*Superannuation contributions*

2.3 The amount of the superannuation contribution is a specified proportion (17%) of the minimum stipend. The estimated superannuation contributions for 2006 are based on an estimated 5% increase in minimum stipends in 2006.

*Long Service Leave*

2.4 The contribution for long service leave is to fund the Sydney Long Service Leave Fund which, in turn, pays contributions to the General Synod Long Service Leave Fund. The estimated contribution reflects changes in charges estimated for 2006, and a recovery of an undercharge for long service leave in 2005 because the rate of increase in contributions to the General Synod Fund (6.8%) was materially greater than that estimated when cost recoveries charge for 2005 was determined.

*Sickness/Accident Fund*

2.5 The Sickness/Accident Fund is a self funded fund to provide assistance to parishes when their minister or assistant minister suffers a short term incapacity. The proposed contribution represents the amount needed to ensure that the Fund can meet claims and accumulate adequate reserves for those years when claims are higher than usual. In 2003, the charge was \$250 per member of the

clergy, and in 2004 the charge was \$234 per head. The 2005 amount (\$174 per head) was lower, but this has an effect on reserves. It is intended to increase the amount to \$240 per head to ensure that normal claims are met and adequate reserves are maintained.

*Stipend Continuance Plan*

2.6 The Stipend Continuance Plan provides income benefits to clergy in the event of long term sickness or incapacity. There is an insurance policy which provides benefits. The proposed increase in stipend continuance charges reflects 3 matters -

- (a) The amounts charged for insurance premiums in 2005. were less than the premiums paid. The charge for 2006, in part, reflects the recovery of that under charge.
- (b) Different charges are now made between ministers and assistant ministers with 7 years service, on the one hand, and other assistant ministers, on the other.
- (c) The projected increase in stipends and other benefits for 2006.

*Reduction of charge*

2.7 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.

**Other ministry and property costs**

*Introduction*

2.8 The other ministry and property costs comprise -

- (a) the costs of the parish insurance program, and
- (b) a contribution of the costs of the Professional Standards Unit, and
- (c) a provision for relief or remission.

*Parish insurance program*

2.9 The parish insurance program provides insurance cover for property and contents, public liability and other risks. The estimated cost of that program in 2006 is \$2.70 million, which is 3.6% higher than in 2005. The main cost of this program is insurance premiums on the policies. Our brokers expect that the premium rate for most policies will not increase. However, the overall cost of our building insurances is likely to increase by about 9% because of an increase in insurance values in accordance with the advice of our quantity surveyor.

*Professional Standards Unit*

2.10 It is proposed to include a new charge of \$320,000 being a two-thirds contribution to the costs of running the Professional Standards Unit (PSU). The PSU program consists of several elements (which are closely related and at times may be indistinguishable) involving

work for the Synod, the Archbishop and parishes. The PSU is involved in investigating complaints against clergy and taking appropriate action, advising and informing parishes about screening and other local responsibilities under Child Protection legislation, and educating about *Faithfulness In Service*. It is considered that funding for the PSU should be provided on the basis of two-thirds from parishes through the cost recoveries system and one-third from the Appropriations Ordinance. The costs of the PSU in 2006 will be \$480,000. Accordingly, a charge of \$320,000 on parishes in 2006 is proposed.

*Relief or remission from cost recoveries charge*

2.11 Funding is also needed for a provision for relief or remission from the parochial cost recoveries charge for circumstances where Standing Committee declares by resolution that it is expedient to grant such relief or remission under clause 15 of the Assessment and Charges Ordinance 1975. It is considered that a provision of \$150,000 needs to be created for this purpose. \$50,000 was allocated in 2005 and it is proposed that a further \$50,000 be allocated in 2006, and a further \$50,000 in 2007.

*Variable charge*

2.12 With the total costs increasing from \$2.657 million to \$3.070 million, the variable charge as a percentage of net receipts will increase from 4.96% to 5.51% (based on the net receipts for 2004).

<b>Statement of other ministry and property costs</b>			
	<b>Approved in 2005</b>	<b>Recom- mended in 2006</b>	<b>Increase %</b>
	<b>\$000s</b>	<b>\$000s</b>	
Parish Insurance Program	2,607	2,700	3.6
Professional Standards Unit	-	320	-
Provision for relief or remission	50	50	0
<b>Total</b>	<b>2,657</b>	<b>3,070</b>	<b>15.5</b>
Variable charge (% Net Receipts)	4.96%	5.51%	11.1

**3. Recovery of costs**

**Cost recovery formula for 2006, 2007 and 2008**

3.1 Applying the formula in the schedule to the proposed ordinance to the costs for 2006 gives -

- (a) minister and assistant minister with 7 or more years service charge estimated at \$10,148 and other assistant minister charge estimated at \$9,319, plus
- (b) the variable component calculated as 5.51% of each parochial unit's 2004 net receipts to cover the other ministry and property costs for 2006 consisting of -
  - (i) the property and liability insurance program of \$2.70 million, and

- (ii) a contribution to the Professional Standards Unit of \$320,000, and
- (iii) an increase in the provision for relief or remission of \$50,000.

**List of parochial units - estimated cost recovery charges 2006**

3.2 The estimated cost recoveries charge for each parochial unit for 2006 are shown in Attachment A.

3.3 The list of parochial units shows the application of the variable component of the parochial cost recoveries charge (based on 2004 net receipts in the case of 2006). The actual minister and assistant minister charges for each parochial unit for 2006 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 2.7 above. The estimate of the total charge payable in 2006 for each parochial unit is the sum of -

- (a) the appropriate minister and assistant minister and charge, and
- (b) the variable component charge shown in the list.

3.4 The estimated cost of the minister and assistant minister charge may vary if the actual costs of each of the components differ materially from the estimates. For example, the actual superannuation charge for 2006 cannot be calculated until the minimum stipends for 2006 are determined later in the year. If the rate of increase in stipends is not 5%, the amount of the superannuation contribution, and hence the minister and assistant minister charge, may have to be recalculated.

3.5 The estimated variable charge may vary if the actual Net Receipts for 2004 for those parishes that had not lodged their Annual Financial Return prior to 31 July 2005 differs significantly from the estimate shown in this report. While the main impact of this change would impact those parishes for which estimates are used in the attachment, if in aggregate the changes are significant it may result in a small change to the variable charge percentage for all parishes.

**4. Recommendation**

**Recommendation**

4.1 The Standing Committee recommends that the Synod pass the proposed Parochial Cost Recoveries Ordinance 2005 as an ordinance.

For and on behalf of the Standing Committee

BISHOP PETER TASKER

17 August 2005