

Report on the Synod Appropriations Ordinance 1996

(A report from the Standing Committee.)

Contents	Item
Introduction, Overview and Strategies	1
Form of the Bill	2
Regionalism	3
Parish Ministry/Property Costs	4
Appropriations from Trusts etc	5
Allocations of Funds	6
Church Planting/Church Growth	7
Maintaining the Real Value of the Diocesan Endowment	8
Line Item Schedules [not reproduced here]	

1. Introduction, Overview and Strategies

Introduction

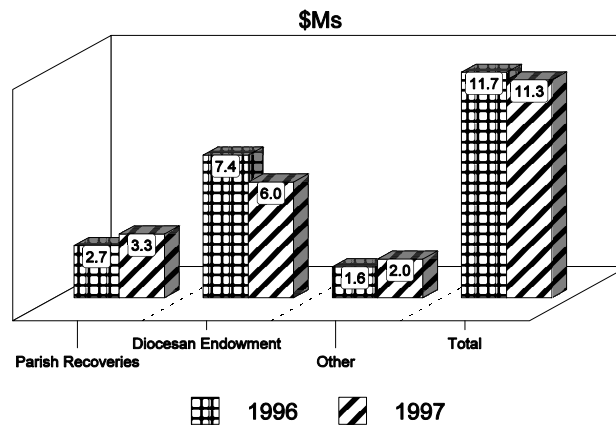
1.1 Well, hard decisions were required to balance the 1997 estimates. Rising costs, the impact of regionalism, a poor year for the Diocesan Endowment, a change in policy for appropriations from the Diocesan Endowment, and the need to provide for the administration of the protocol on sexual misconduct all play a part.

1.2 We are in a time of trial with our finances, which is forcing the rethinking of what we do collectively with the money which God has trusted us with, and how we do it. In a sense we feel chastened after the heady years when the growth of our endowments seemed limitless, and strangely this is proof of God's love (Proverbs 2:11-12).

Overview

1.3 The 3rd Schedule, with its 10 line items, is the key to understanding the Bill. Detailed applications are in separate schedules 3 to 9 which are not part of the Bill this year. Charts showing the overall appropriations and allocations follow.

Appropriations



Strategies

- 1.4 The major strategies of this Bill are -
- (a) To have cost recoveries from parishes approaching the direct costs incurred on behalf of parishes (item 4).
 - (b) To support Regional Councils so that they can better fulfill their role of developing ministry strategies for parishes in their Regions (item 3).
 - (c) To help maintain the real value of the Diocesan Endowment by appropriating only 75% of the operating surplus for 1995, and by not appropriating reserve funds (item 8).
 - (d) To enable the functions of the Synod and the Standing Committee to be carried out (items 3 and 6).
 - (e) To provide funds for the further development and administration of a "protocol" on sexual misconduct by church workers (item 6).

2. Form of the Bill

2.1 This Bill is presented in a revised form to help the Synod deal with policy issues rather than matters of detail by allocating resources by totals in designated line items. We hope it will work this way in future -

- (a) There will be an interest-group committee for each of line items 5 (Training for Ministry) and 7 (Parish or Area Ministry), and possibly 8 (Central Ministry Organisations), comprising persons appointed by the major beneficiaries of the line item. A committee will have an independent chairman.
- (b) A committee will review grant applications and make recommendations to the DEB at 3 levels. The levels would be set each year but could be, say, equal to last year plus inflation of 3%, +10% on last year and +20% on last year, depending on the economic climate.
- (c) The draft estimates would be compiled using the recommendations from the committees, but the DEB/Standing Committee would make their own recommendations.
- (d) In the light of the amount allocated by the Synod, each committee would recommend for the Standing Committee detailed allocations for its line item.

2.2 We hope that this will help stimulate a combined vision for organisations to work together and eliminate duplication. Further, it will make organisations a part of the decision-making process, and reduce the complexity of the estimates for Synod members. And it will not flag to a potential tenderer what we expect to pay for certain services etc.

2.3 In effect, the Synod will be able to concentrate on policy and delegate to others the detailed decision-making within line items.

2.4 This concept is being trialed for line item 5 for 1997 and the results are promising. We would like to develop the concept and, if the Bill is passed in the revised form, we hope the detailed schedules will be printed as a briefing paper only, or even not printed at all for the Synod in future.

3. Regionalism

Strategy

3.1 Regionalism has a considerable impact on this Bill in line with the Synod's intention to make regionalism work. Our strategy is to place significant funds with Regional Councils, that Regional Councils should themselves decide and encourage regional ministry strategies, and that they should be free to ask service providers to quote. This will take a few years to work through and for a while some grants may be "tied" until new relationships form. In effect, 1997 is Year 2 of the phasing-in programme mentioned last year (page 535, 1996 Year Book).

3.2 The DEB decided to fund the following programmes through Regional Councils, due to the parish or area focus of those programmes -

AHMS Parish, Growth Area and Cross-Cultural Ministry grants
University Chaplaincies
Department of Evangelism
Regions Discretionary Grants.

3.3 Further, the Anglican Education Commission and the Anglican Youth Department were asked to divide some programmes on a regional basis for further consideration.

Department of Evangelism

3.4 The Department of Evangelism strongly resists having to get its funds from Regional Councils, arguing that this would destroy its work and cause the loss of 3 gifted evangelists. It wants to be "core" for diocesan funding and says that its evangelists have worked in over 150 parishes in Sydney and 40 parishes beyond Sydney in Australia and overseas in the last 5 years.

3.5 The Department sees itself as partners with others in gospel work, and not as Department or Region directed. It suggests several ways it could carry out this vision.

- (a) Have regional and Regional Council representation on the Board.
- (b) Report regularly to Regional Councils.
- (c) Consult with the regions to seek out other areas in which to work together.
- (d) Offer consultants/trainers in evangelism to help Regional Councils determine needs and devise strategies.

3.6 The Department does most of its work through parishes or by providing services to parishes and we think the Regional Councils should be well placed to judge the value of that work or those services. The Department and Regional Councils are best left to find their way under regionalism. To shift the emphasis from "regional" to "core", a few minor amendments are needed to the Bill and there will be a few consequential amendments to comparative totals.

- (a) From clause 6, omit the column "Dept of Evangelism" and adjust the totals.
- (b) From the 3rd Schedule, line 7, omit "2,041" and insert "1,841".

(c) From the 3rd Schedule, line 8, omit "2,027" and insert "2,227".

Anglican Home Mission Society (AHMS)

3.7 AHMS wants to cooperate but has concerns.

- (a) The overall pool of resources will steadily diminish and the winning of grants will become more and more competitive within the regions.
- (b) The Diocese will cease to have an informed body to assist in the prioritising, evaluating and making of grants to parishes.
- (c) Key staff will be lost as functions move to Regional Councils.
- (d) The sustaining of high morale among staff members particularly those engaged in Cross-Cultural Ministries will be difficult.
- (e) AHMS subsidies for its Parish Support and Development Division (\$.920m in 1996 funded partly from Advent Sunday, Trinity Sunday and Confirmation offertories from churches) are in jeopardy.
- (f) The Synod needs to assure AHMS of continued funding for Assisted Provisional Parishes.

3.8 AHMS made a proposal to contribute \$388,000 (funded mainly from parish offertories given to AHMS) to the Synod in 1997 if the Synod makes "parish grants" of \$1,294,000 to Regional Councils, parts of these grants being "tied" in the following manner -

	\$000s
General Parish Grants	269
Cross-Cultural Grants	267
Growth Area Grants	271
Assisted Provisional Parishes	79
Special Block Grants	108
	994
	994

3.9 AHMS proposes that these amounts be set for 3 years at a time, with annual increments for inflation, so that the AHMS contribution is always 30% of the total amount allocated by the Synod for "parish grants".

3.10 AHMS wants to package this proposal with funding for Chaplaincies and Migrant Services, neither of which comes within the regionalism proposals so far.

3.11 The DEB thinks the AHMS proposal is too detailed and restrictive to be implemented against the flow of regionalism in a year when available funds are greatly reduced. Further, we think the future lies with AHMS itself funding some activities, and the Synod funding others, as in the following table.

\$000s	1996		1997	
	Synod	AHMS	Synod	AHMS
Regional Councils ¹	443	-	1,530	-
Parish Grants	267	536	-	-
Growth Area Grants	473	186	81 ²	195 ³
Research/Planning	90	34	92	37
Cross-Cultural Ministry Team	56	100	-	167
PS & D Administration	-	62	-	- ⁴
Chaplaincies	150	854	-	1,052
Migrant Services	-	147 ⁵	-	155 ⁵
Totals	1,479	1,919	1,703	1,605
Notes				
1. Grants for parish and area ministry. Included to show total shift in funds between Regional Councils and AHMS.				
2. APP loan servicing and rates.				
3. For APPs: AHMS was advised to seek this from Regional Councils.				
4. We have no information on this.				
5. Balance of estimated expenditure over income.				

*Anglican Education Commission
Anglican Youth Department*

3.12 We intend to again look at the matter of regionalism and grants for these organisations next year.

Regional Council Administration

3.13 Last year we recommended that the secretarial and accounting work for Regional Councils be done by Sydney Diocesan Secretariat. Neither PARC nor WARC wants this and the work could not have been done by the Secretariat without extra charges, which are not able to be met from the 1997 Synod Estimates. In the circumstances -

- (a) the Regional Councils should attend to their own secretarial and accounting work; and
- (b) distributions from Synod funds should be made from the Synod Fund on the direction of a Regional Council.

4. Parish Ministry/Property Costs

Parish "Assessments"

4.1 Parish assessments have been the traditional way of funding diocesan organisations. This makes support compulsory and diminishes the need for individuals and parishes to make donations. It is efficient as organisations need not devote scarce resources to education/fundraising and the Synod pays the administration costs.

4.2 But the Anglican evangelical practice has been to set up organisations supported by the gifts of people who see the need for those organisations, rather than to set up central bodies.

4.3 Our parish assessments have now moved towards “cost recovery”. Parishes with higher gross receipts (21 parishes for 1997) still pay an assessment but at a low rate and the total ministry and property costs met for parishes by the Synod has exceeded the amounts paid by parishes in recent years. This year we have changed the name “assessments” to “Parish Ministry/Property Costs” as charges are more in the nature of “recoveries”.

4.4 As parishes are no longer compelled to support diocesan organisations by assessment, we hoped that they would give to organisations voluntarily. We also hoped that diocesan organisations would consider how to adjust to the new system. Neither seems to have occurred to a significant degree.

Recent Changes

4.5 In the last 3 years there has been a shift away from assessment by rate, to a recovery of ministry and property costs met by the Synod on behalf of parishes. The following table shows the effect of this shift on 5 example parishes.

Example Assessments/Parish Recoveries					
(\$000s)					
Net Receipts ¹	Parish A \$50	Parish B \$70	Parish C \$170	Parish D \$270	Parish E \$370
Assistant Ministers	-	-	1	2	3
Assessment/ Recovery	\$	\$	\$	\$	\$
1992 ²	6.8	9.0	22.7	36.6	50.1
1993 ²	6.8	9.0	22.8	36.7	50.5
1994 ²	7.2	7.2	17.8	28.7	39.5
1995 ³	7.0	7.0	11.4	18.2	26.0
1996 ³	8.45	8.45	13.2	19.0	27.2
1997 ³	9.95	9.95	15.8	22.4	32.2
<p>Notes</p> <ol style="list-style-type: none"> Assumes a nil increase in net receipts over the 5 years. Clergy superannuation was charged separately at 11% of stipend but is included in these figures. Introduction of “user-pays” principles in 1995. Includes clergy superannuation at 16% of stipend and other ministry/property costs as part of the assessment/ recovery. Long service leave for assistant ministers is included from 1997. 					

4.6 The rationale for this shift was -

- (a) Parish annual financial returns will be less complex and the time spent in completing and checking returns will be reduced.
- (b) "The Diocese" may not be seen so much as a "tax collector" and the processing costs will be reduced.
- (c) A disincentive for parishes to raise funds will be removed.
- (d) There will be less temptation to have avoidance schemes as the claiming of deductions is relevant only if a parish has very high net receipts.
- (f) Parishes should make a substantial contribution towards meeting the ministry and property costs paid for them by the Synod.

The Minimum Charge for 1997

4.7 To achieve this shift, substantial cuts were made in assessments for 1994 and 1995. A "basket" of expenses was devised to achieve a minimum charge, and for 1997 the components are -

For a Parish	1996 \$	1997 \$
Minister's Superannuation	5,226	5,382
Minister's Long Service Leave	915	960
Stipend Continuance Plan	285 ¹	350
Sickness/Accident Fund	374 ¹	100
Property Titles Registry	260 ¹	260
Insurance	1,240	2,398
Sexual Misconduct Protocol	-	500
	8,300	9,950 ²
Plus a Levy	150	-
Minimum Recovery Charge	8,450	9,950
Plus for each Assistant Minister -		
Superannuation	4,703	4,844 ³
Long Service Leave	-	960
Total Extras for each Assistant Minister	4,703	5,804
Notes -		
1. Adjusted to same basis as 1997 (recovered over parishes only).		
2. Or for 1997, 4% of net receipts for 1995 if over \$248,750 (for 1996, 3.5% of net receipts over \$237,143).		
3. Estimate only: actual charges may vary. For an Assistant Minister with more than 7 years service since ordination, the estimate is \$5,382.		

4.8 For 1997, long service leave will be recovered for assistant ministers (it was not recovered before), superannuation for senior assistant ministers (those with over 7 years service) will be charged at \$5,382 instead of

\$4,844, lay ministers are removed from the "basket" (item 6.8), the minor ministry expenses are recovered over 214 parishes (instead of 271 parochial units) and a charge is introduced for administration and development of the Sexual Misconduct Protocol. The \$150 levy is deleted.

4.9 See the 1st Schedule of the Bill for more details. We have not produced the usual table of "assessments" this year for several reasons.

- (a) We do not have an "assessable receipts" figure for most parishes: they were not required to complete the "deductions" part of the annual financial return as they were within the "minimum recovery" range.
- (b) Recovery charges are easily calculated from the 1st Schedule of the Bill and the table in item 4.7.

4.10 A major part of the parish ministry/property costs in item 4.7 has to be met by the Synod on a monthly basis and it is proposed that parish recoveries should be made in 12 monthly instalments, not 10 (from March) as in the last few years. Changes in assistant ministers occur through the year, and often in the first 3 months of the year, and recovery of their ministry expenses over 10 months has been complicated."

Sexual Misconduct by Church Workers

4.11 The Archbishop has released a protocol for dealing with sexual misconduct by church workers in the Diocese. The Standing Committee has supported the Archbishop's initiative by providing funding for the administration of the protocol. Further, we have appointed a committee to report on whether, and if so how, financial assistance should be given for the legal costs of defending a member of the clergy who is -

- (a) charged under the Tribunal Ordinance 1962;
- (b) the subject of an enquiry under the Incapacity and Inefficiency Ordinance 1906;
- (c) the subject of an action arising under the protocol; or
- (d) the subject of any criminal action.

4.12 The Committee is also to enquire about how financial assistance can be given to assist a person who makes a successful claim against an offender but finds that significant help from the offender is not forthcoming.

4.13 The sexual misconduct protocol is being developed and administered for the good of all parishes. It involves legal, administrative, printing, counselling and crisis costs. A clause has been put in the bill to enable the Standing Committee to raise further levies on parishes if the need should arise. The full estimated allocation of \$250,000 may or may not be needed.

Phase Out the Subsidies?

4.14 We estimate the under-recovery of Parish Ministry and Property Costs for 1997 as -

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

\$000s	Parishes	PP's	APP's	Total
Subsidies -				
Clergy Superannuation	-	20	8	28
Clergy Long Service Leave	-	45	10	55
Stipend Continuance Plan	-	-	-	-
Sickness/Accident Fund	-	-	-	-
Property Titles Registry	-	-	-	-
Insurance	624*	123	10	757
Sexual Misconduct Protocol	113	25	5	143
Total Subsidies	737	213	33	983
Less Over-Recoveries from Parishes -				
During Vacancies				82
Paying More than Minimum (21 parishes only)				121
Total Over-Recoveries				203
Net Subsidies				780

* Including Cathedral \$162

4.15 The subsidies for provisional and assisted provisional parishes are partly to encourage them while they sort out their future, and partly to help in their development. Any change to the subsidies is a matter of policy.

4.16 The recommended recoveries provide funds approaching the direct costs incurred by the Synod on behalf of parishes for ministry-related costs.

4.17 Assuming that insurance costs are contained, we reckon they can be substantially recovered by an equal levy on all parishes by the year 2000, excluding subsidies for the Cathedral, provisional parishes and assisted provisional parishes. We think this can be done by progressively increasing the minimum charge by a further \$2,160 over the years 1998 to 2000, provided there are no major increases in costs. We prefer this system to apportioning the insurance costs according to the building and contents values of each parish for several reasons.

- (a) The burden of insuring high-value properties of contemporary or historic importance will be shared equally by all. (Alternatively, this subsidy could be formally recognised in the estimates.)
- (b) There will be less temptation to under-value buildings and contents, which could lead to inadequate insurance payouts.
- (c) There are different types of insurances, some of which have little to do with buildings, and recovery by equal levy simplifies an otherwise complex apportionment of costs.
- (d) The gearing of insurance recoveries to buildings/contents values will be more costly than under the present partial regulation system. It will give rise to time-wasting and costly valuation disputes, which neither parishes nor the Secretariat really want.

4.18 The insurance levy per parish for 1997 is \$2,398 covering -

Buildings & Contents	Professional Indemnity
Directors & Officers Liability	Fidelity Guarantee
Voluntary Workers	Public Liability
Personal Accident	

4.19 The sexual misconduct protocol is a new charge and we prefer not to comment on whether and at what level it will continue.

5. Appropriations from Trusts etc

5.1 The Diocesan Endowment and other trusts provide money which, for accountability and visibility, is spent through Synod Appropriations Ordinances. The 2nd Schedule of the Bill shows that appropriations from trusts are down by \$1m on 1996, and by \$1.6m if the insurance refund is disregarded, being an unusual receipt.

5.2 Several years ago there were expectations of poor years when the income from the Diocesan Endowment would be depressed, and some income was appropriated but left with the Glebe Administration Board until required to help us through these poor years. This "reserve" was \$8m in 1994 but will be down to \$5.3m by 31 December 1996.

5.3 The amount available for 1997 from the Diocesan Endowment is \$6m, down \$1.4m on 1996. Due to the erosion of the capital of the Diocesan Endowment (item 8), the Standing Committee recommends that no more than 75%, of the Gross Surplus for 1995 be appropriated for 1997, and that the "reserve" set aside against poor years should not be further drawn against. The "reserve" is down to a minimum acceptable level to offset a succession of poor years and is unlikely to receive any top-up for the foreseeable future. The flow of funds from the Diocesan Endowment to the Synod is shown in the following table.

Year of Appropriation	1996	1997	1998	1999	2000
\$000s	\$	\$	\$	\$	\$
Brought Forward "Reserve"	5,983	5,296	5,296	5,296	5,296
Distribution (75% of Operating Surplus 2 years prior to Appropriation)	6,685	6,005	6,627	7,577	7,951
Available for Appropriation	12,668	11,301	11,923	12,873	13,247
Less Carried Forward	5,296	5,296	5,296	5,296	5,296
Recommended Appropriation	7,372	6,005	6,627	7,577	7,951

5.4 We are very grateful to parishes like Hunters Hill, Narellan, Liverpool, Ryde, St James' Sydney, Manly and St Philip's Sydney which are to contribute \$1.3m in total for 1997. Receipts in this category are not likely to grow in the foreseeable future.

5.5 We are grateful also to the Property Trust for the remarkable saving of \$642,000 on insurance premiums for 1996.

6. Allocations of Funds*Line Item Schedules*

6.1 Several programmes have been reclassified in different line items to last year, a few programmes have been consolidated by the applicants, benefits for lay ministers have been taken out of the Bill (but parishes/organisations still must provide for their superannuation, long service leave and other benefits required by Acts of Parliament), and the 1996 comparisons have been adjusted.

6.2 Regionalism makes a clear mark on the 1997 allocations (see item 3). Due to the financial circumstances, we do not propose the funding of any ongoing programmes not funded in 1996, although we would expect Regional Councils may decide to support new initiatives.

6.3 Wherever possible, we have allowed for the use of accumulated funds in maintaining existing programmes (Social Issues Committee, Standing Committee/Synod, Clergy Mobility Assistance Fund, etc). We cannot fund the programmes Car Parking for Cathedral Staff (\$14,000) and Car Parking for Members of Committees (\$5,000).

6.4 The programmes Long Service Leave Contributions and Stipend Continuance for Non-Parish Clergy (\$25,000 and \$10,000 respectively) are to be discontinued. For Long Service Leave, we have added \$480 per clergyman to the allocation an organisation would have received and comparative figures have been adjusted. An organisation may choose to take out Stipend Continuance insurance through the Secretariat or direct with an insurer, or not at all.

6.5 Other significant reductions on 1996 are -

	\$000s
Anglican Education Commission	60
Anglican Youth Department	54
Appeals Office Administration	20
Clergy Mobility Assistance	80
Department of Evangelism	32
Media Relations	38
Media Evangelism	50
Olympic Games Task Force	22
Parish Insurances	480
Parish or Area Ministry	170
Pastoral Relief	15
Sickness and Accident Fund	59
Social Issues Research	26
Sydney Diocesan Secretariat	53
Vision 2001 Projects	65
	<hr/>
	1,224
	<hr/> <hr/>

6.6 The Anglican Education Commission wants the Synod to fund work previously funded by profits from publishing. But this comes at a time when the Synod's finances are stretched.

6.7 Items 3.7 to 3.11 refer to major changes for AHMS and Regional Councils. It is competent for any organisation with a reduced grant to try and sell their services through Regional Councils.

Lay Ministers

6.8 As there are no longer many "lay ministers" (used in a generic sense to include all full-time lay ministry workers) in our Superannuation Fund, we cannot easily say how many lay ministers are employed full-time in parish ministry. So we cannot insure them for Stipend Continuance insurance or include them in the Sickness and Accident Fund (which provides benefits to parishes, not to people). Since the introduction of full-time lay ministers to these schemes there has not been a claim for a lay minister.

6.9 Authorities given to lay persons by the Archbishop are not necessarily to full-time offices. The Registry data bank, which generates superannuation charges on a user-pays basis each month for clergy, cannot be used to generate similar charges for lay ministers unless the Synod and the Archbishop require full-time lay ministers to have specific authorities and be members of our superannuation fund. Further, the Synod would need to require parishes to employ full-time lay ministry workers only if they are authorised as lay ministers.

6.10 The alternative system is to require churchwardens employing lay ministers to make declarations each year and to give advice of moves during the year. With monthly collections, the failure to report the employment or resignation of a lay minister will soon create an administrative mess which neither the parish nor the Secretariat will appreciate.

General Synod Statutory Assessment

6.11 Several practical and philosophical issues lie between Sydney and the General Synod, and the Constitution Review procedure may settle some of these issues. The main issues are -

- (a) different views on the roles of General Synod and the Primate (Sydney takes a minimalist view of General Synod activity);
- (b) the costly expanding structure of the General Synod requiring higher funding commitments from dioceses for purposes not necessarily viewed by Sydney as important;
- (c) the relevancy of much of the General Synod structure to church life in Sydney; and
- (d) some in Sydney believe our relationship with the General Synod is impaired due to theological or pragmatic differences.

6.12 For 1996, the General Synod's General Assessment was \$108,394 but the Sydney Synod, on our recommendation, provided only \$100,000 as we were not convinced that all of the assessment was properly levied within Section 32(2) of the 1961 Constitution. Further, we considered that the General Synod should use its reserves to reduce this assessment.

6.13 After representations were made by the Standing Committee of the General Synod, we approved the payment of the extra \$8,394 for 1996

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

from Contingencies after getting an assurance from the Standing Committee of the General Synod that -

- (a) the amount payable may not be compulsory;
- (b) it will in future clearly set out the amounts levied under Section 32(2) (this repeats the undertaking given in 1994); and
- (c) it will make continued positive efforts to ensure that expenditures by the General Synod do not increase.

6.14 We have allowed \$114,000 for the payment of the Statutory Assessment for 1997, a 5% increase. However, we recommend that the Synod -

- (a) protest at the increased flow of funds away from dioceses through the Statutory Assessment, evidenced by the increase in the Assessment for 1997 (5.17% for Sydney);
- (b) renew our protest that the Statutory Assessment includes items outside the scope of Section 32(2) of the 1961 Constitution, and that it includes a range of matters never envisaged at the time the Constitution was agreed; and
- (c) require that the Statutory Assessment be paid only when a certificate is received from the lawyers on the Standing Committee that expenditure of the Statutory Fund is in line with Section 32(2) of the Constitution.

General Synod Special Assessment

6.15 The General Synod's Special Assessment is "voluntary" and for 1997 the assessment covers -

	\$000s
Inter-Anglican Grants	225
Ecumenical Grants	81
Defence Force Board	23
Contingences	12
	<hr/>
	349
	<hr/>

6.16 The Sydney share of this Assessment is \$73,776. We declined to pay the Assessment for 1996 (\$68,959) but we did pay the 1995 Assessment (\$63,476). On a proportional basis, Sydney's share of the General Synod's proposed payment to the Anglican Consultative Council in 1997 for the Lambeth Conference is \$4,826 and for the ACC Panama Conference is \$3,211.

6.17 We have adopted our 1996 pattern in recommending the following payments instead of the Special Assessment -

	\$000s
Defence Force Board	2
Christian Conference of Asia	2
Council of the Church of East Asia	2
Diocese of Armidale	8
Diocese of North West Australia	60
	74
	74

6.18 Any change in policy is for the Sydney Synod to make, although several matters should be noted.

- (a) Non-payment of the Special Assessment is consistent with 1996.
- (b) The Assessment is increasing at an unrealistic rate (7% for 1997).
- (c) Other causes in the estimates are of higher priority in the use of our diminishing funds.

Other General Synod Funding Requests

6.19 Provision has been made to meet the Primate's request for us to contribute \$54,000 towards Lambeth Conference Bursaries before 1998. This is to establish a bursary fund to help Third World Bishops attend the Lambeth Conference in 1998.

6.20 The Primate has also asked Sydney to contribute \$7,000 towards the WCC Assembly in 1998 at Harare. We are unable to recommend this allocation in the financial circumstances and will reconsider it next year for 1998.

7. Church Planting/Church Growth

7.1 Synod resolution 28/95 requested -

- (a) the Archbishop's leadership team to develop a church planters' fellowship for the sharing of ideas and programming conferences;
- (b) the Standing Committee to allocate sufficient funds for 1997-98 to the Mission Department at Moore College to offer a "church Planters" module both during college Training and in after College Training; and
- (c) the Standing Committee to allocate \$300,000 for specific church planting projects in 1997-8 and set advance funding schedules with termination dates.

7.2 The Standing Committee referred part (a) of the resolution to the Archbishop, part (b) to the Moore Theological College Council and part (c) to the DEB. Funds made available under part (c) of resolution 28/95 could be allocated to a Regional Council which would monitor and evaluate the church growth projects.

7.3 We cannot recommend the \$300,000 for 1997 without a massive increase in levies on parishes or cutting back of present work. However, much of the money to be allocated through line item 7, and some of the money in line item 8 (especially Vision 2001 Projects) will be for church planting/church growth.

8. Maintaining the Real Value of the Diocesan Endowment

8.1 In preparing the Synod estimates for 1997, the Standing Committee has attempted to maintain the real value of the Diocesan Endowment. The following table illustrates the problem, although 1989 was the peak year after a long property boom.

Year 31 December	\$m		% Return
	Capital	Operating Surplus*	
1989	157	10.4	6.6
1990	147	10.2	6.9
1991	110	6.8	6.1
1992	95	9.5	10.0
1993	100	11.1	11.1
1994	100	8.9	8.9
1995	102	8.0	7.8

* "Operating Surplus" includes all gains or losses on disposal of shares etc and all gains or losses on the disposal of property if within 12 months of acquisition.

8.2 But a return of 7.8% on \$102m is less than a return of 6.6% on \$157m. Taking more than 75% of the Operating Surplus would be self-defeating as the real value and the earning capacity of the Endowment will decline.

8.3 The capital of the Endowment has clearly eroded since 1989, when the capital was at an all-time high. However there will always be fluctuations in the value of the investments due to the investment cycles for property, equities and fixed interest investments and this will affect portfolio values. But the portfolio is more balanced now than it was in 1989 when it was overweighted in property.

8.4 In the 1980s, on a recommendation from the Finance Committee, the Standing Committee made the following investment policy for the preservation of capital after the sale of property -

- (a) The proceeds of sale must be used for capital works (new buildings etc but not repairs) or to purchase another capital asset (real estate etc). **or**
- (b) The proceeds of sale must be invested in the Sydney Anglican Property Fund. Any income could be capitalised or applied for other purposes. **or**
- (c) If (a) or (b) are inappropriate and the proceeds are to be invested in other ways, not less than 30% of the annual income must be capitalised (to ensure capital growth). The balance of the income could be capitalised or applied for other specific purposes.

8.5 However, in the late 1960s the Standing Committee had decided that 25% was the appropriate share of the Diocesan Endowment surplus to be capitalised, unless otherwise agreed, and this was written into the trusts of the Diocesan Endowment.

8.6 The preservation of capital, or the maintenance of "real value", depends on appropriate investments and an adequate capitalisation of the annual surplus. Should it be 25% or 30% or some other percentage? The Standing Committee has asked the Finance Committee to address this question.

8.7 As for the allocation of funds to achieve strategic diocesan objectives, we are happy to recommend the allocation of as much money as possible: the fields are ripe and ready for harvesting.

8.8 By taking no more than 75% of the operating surplus and not touching the "reserve", we think we have done as much as possible to preserve the capital of the Diocesan Endowment.

For and on behalf of the DEB

WARREN GOTLEY

Secretary

August 1996

Note

Concerning item 8 of this report, the Finance Committee believes decisions on the amount to be appropriated annually from the Diocesan Endowment cannot be determined by a mathematical model without regular review. The use of 5 and 10 year rolling averages as a basis for distributions and capital growth was considered but found to give more volatile results than the present formula.

On the present formula, the measurement of capital growth differs according to the starting point for measurement. If the period 1975 to 1995 is taken, the net assets are almost \$66m below what they should be if a 2% per annum real growth factor is desired. On the same basis starting from 1980 a real growth rate of only 1.7% per annum was achieved until 1995.

In the circumstances, the Standing Committee has requested that an ordinance be promoted to make available in 1998 70% (instead of 75%) of the operating surplus for 1996, and in subsequent years to reduce this by 1% per annum until the amount to be distributed is 65%. Further, the Finance Committee and the Glebe Administration Board have been asked to consider whether the distributable amount should be based solely on net rents, dividends and interest. These proposals will take time to analyse but it is clear that a distribution rate of 75% since the late 1960s has not enabled the Diocesan Endowment to provide a growing capital base to ensure increased future distributions.

The implementation of either or both of these proposals may affect the projections in item 5.3 of the report and in the 3rd Schedule to the bill.