

Synod Appropriations Ordinance 1997

(A report from the DEB to Standing Committee)

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1. Introduction, Overview and Strategies

1.1 We are thankful to God for His wonderful provision to us through the Diocesan Endowment. We are also grateful that most of our organisations have other sources of income for their work.

1.2 We are facing difficult times with our appropriations down, our programme costs increasing and less money to allocate. It may be beyond 2000 before we get back to the present level of distribution from the Diocesan Endowment.

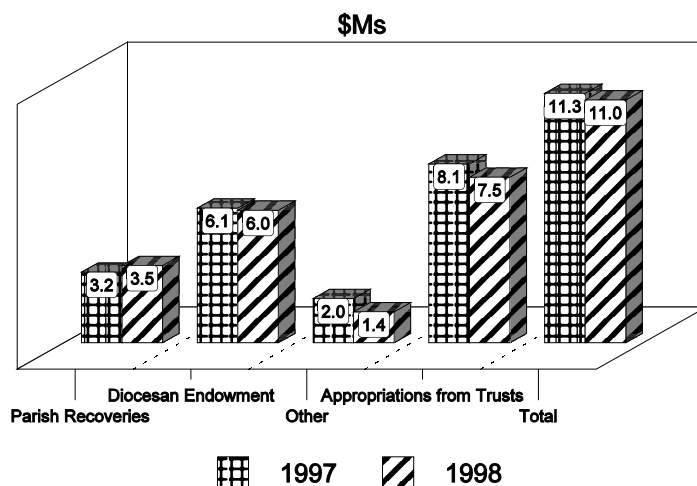
1.3 We are called to be good stewards of what God has provided and we must look long and hard at how we are using our resources.

1.4 "Look at the fields! They are ripe for harvest". We must carefully match our resources to our Diocesan priorities under God's guidance.

Overview

1.5 Charts showing the overall appropriation and allocations for 1998 follow. Appropriations are down and allocations are trimmed as a consequence.

Appropriations



Strategies

1.6 Key strategies in the Bill, in view of our reduced funds are -

- (a) To meet our compulsory obligations (line items 3 and 4).
- (b) To enhance Training for Ministry as a priority (line item 5).
- (c) To promote Regionalism (line item 7).
- (d) To determine a formula for the recovery of parish ministry and property costs based on "ability to pay" (line item 1).
- (e) To continue phasing in the full recovery of parish ministry and property costs (line items 1 and 4).
- (f) To recognise reserves held by organisations in determining allocations.
- (g) To help maintain the real value of the Diocesan Endowment (line item 2).
- (h) To have organisations participate in Interest Group Committees for line items 5, 7 and 8.

1.7 The Line items are in the 3rd Schedule of the Bill and reflect the strategic direction of the Standing Committee.

1.8 In this report the word "parish" is used in a generic sense to include all types of units. It will be clear from the context when it refers to parishes as opposed to provisional parishes ("PP") or assisted provisional parishes ("APP").

2. Form of the Bill

2.1 The Bill is in similar form to the 1996 Ordinance, except that tied allocations in line item 7 were an interim measure for regionalism in 1996 only. Also, line item 8 has been split into a new line item 8 "Adult and Children's Outreach Ministry" and line item 9 "Parish Support/ Central Ministry Organisations". Subsequent line items have been renumbered.

2.2 The form of this Bill is to help Synod focus on policy issues and major allocations of resources. There are two formulae for the 1998 recovery of parish ministry and property costs: formula A developed from the 1997 formula (see 3.6) and a new formula B (see 3.7). The Bill contains Formula A in the 1st schedule. Formula B is shown in an alternate 1st Schedule on the following page. If Synod wishes to adopt Formula B then someone will need to move it as an amendment to the 1st Schedule in the committee stage of the Bill.

3. Recovery of Parish Ministry and Property Costs

Archbishop's Comments to Synod in 1996

3.1 The Presidential address included the following remarks -

"In all other dioceses assessments are paid to cover central diocesan ministries and services. Our parishes pay nothing. We can be grateful to God for this but I ask the Synod to consider whether or not this is spiritually healthy. Is it good that parishes have no open and consistent fellowship in supporting work in the Diocese beyond their parish boundaries?"

3.2 Perhaps the Synod should address the Archbishop's concerns about a genuine assessment after full recovery of parish ministry and property costs have been achieved (see 4.1).

Recovery Formulae for 1998

3.3 Synod resolution 25/96 reads -

"Synod requests Standing Committee return to a formula based on parish ability to pay in recovering ministry costs for the Synod Appropriations Ordinance in 1997".

Return to the "Old" Basis?

3.4 A return to the "old" basis of recovery charges is complicated by several issues.

- (a) Clergy superannuation: a return to the 5% Synod, 5% parish and 5% personal contributions, will bring more administration, separate 3-monthly billings, loss of taxation concessions and a reduction of overall retirement benefits.

"Formula B"

- (b) Insurance, long service leave, stipend continuance and sickness and accident costs: a return to the payment of these costs by the Synod could lead to reductions in insurance covers and Synod allocations for various purposes, or increases in recovery rates (perhaps to about 13%?). Or we could go back still further and parishes would pay these costs themselves or through separate 3-monthly billings. Even more parish administration.
- (c) Parish Financial Returns: a reversion to full length returns (as for 1996) as opposed to partial returns (as for 1995) where only a small number of parishes need complete a lengthy return. Still more parish administration.
- (d) Multiple Billing of Charges: economies gained through having a single charge for all the foregoing, payable over 10 months, will be lost if we have multiple billings each payable every 3 months.

3.5 However, in response to resolution 25/96 we have developed 2 formulae. Both raise \$3,550,000, up 10% on 1997 (see line item 1 in the 3rd Schedule of the Bill). Under either formula, if a parish has an assistant minister there will be an extra charge of \$6,310 (\$6,867 for senior assistants) in addition to a minimum charge (see note 1 in the table at 3.8).

3.6 Formula A has a minimum charge of \$10,950 (a 10% increase on 1997) **or** 5.2% (an increase of 1.2%) of net receipts if they are over \$210,600, whichever is greater. PP's and APP's pay \$5,475. It eliminates the need for all except perhaps 30 parishes to complete full Annual Financial Returns (both receipts and deductions) and through the higher minimum charge spreads the recovery of costs across more parishes. The annual cost to the Secretariat to check Returns is around \$5,000.

3.7 Formula B has a lower minimum charge of \$8,810 (an 11.5% decrease on 1997) **plus** 4.3% of net receipts over \$70,000. PP's and APP's pay a minimum charge of \$4,405 **plus** 4.3% on their net receipts over \$70,000. Around 180 parishes will need to complete full Annual Financial Returns (both receipts and deductions) while the rest will lodge partial returns only. The annual cost to the Secretariat to check these returns is around \$13,000.

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3.8 The following table shows the effect of the 2 formulae on 5 example parishes. The attached list of Ministry and Property Cost Recoveries shows the estimated recovery from each parish.

Examples of Parish Cost Recoveries ¹					
Net Receipts	Parish A up to \$70 K	Parish B \$119.8 K	Parish C \$170 K	Parish D \$270 K	Parish E \$370 K
No. of Parishes²	40	107	154	185	193
Formula A	\$	\$	\$	\$	\$
Minimum Charge ³	10,950	10,950	10,950	-	-
or					
5.2% of net receipts if they are over \$210,600	-	-	-	14,040	19,240
Basic Recovery	10,950	10,950	10,950	14,040	19,240
Formula B					
Minimum Charge ³	8,810	8,810	8,810	8,810	8,810
plus					
4.3% of net receipts over \$70,000	-	2,141	4,300	8,600	12,900
Basic Recovery	8,810	10,951	13,110	17,410	21,710
Notes					
1. Add \$6,310 for each Assistant Minister (consisting of Superannuation \$5,017, Long Service Leave \$965, Stipend Continuance Plan \$273 and Sickness Accident Fund \$55) and for each Assistant Minister with over 7 years service (a "Senior Assistant Minister") add \$6,867 (Superannuation \$5,574 plus the other charges).					
2. There are 11 parishes with net receipts above \$370,000.					
3. For the details of the Minimum Charge see 3.10 of this Report.					

Sexual Misconduct Protocol

3.9 This charge was made for the first time in the 1996 Ordinance. The sexual misconduct protocol has been developed and administered for all parishes to deal with problems arising from ministry. It involves counselling, crisis, legal, administrative and printing costs. The \$400 charge to each parish recovers less than half of the \$200,000 allocation and the Bill has a clause enabling an emergency levy on parishes if the need arises. So far in 1997 we have not needed to use the similar power to levy parishes given in the 1996 Ordinance.

3.10 The following table sets out the basis of minimum charges.

For a Parish	1997 \$	1998	
		Formula A \$	Formula B \$
Minister's Superannuation	5,382	5,574	5,574
Minister's Long Service Leave	960	965	965
Stipend Continuance Plan	350 ¹	273 ¹	273 ¹
Sickness/Accident Fund	100 ¹	55 ¹	55 ¹
Property Titles Registry	260 ²	216 ²	216 ²
Insurance charge	2,398	3,467 ³	1,327 ⁴
Sexual Misconduct Protocol	500	400	400
Minimum charge	9,950	10,950	8,810
Notes - 1. Recovered over parish clergy (parishes in 1997). 2. Recovered over all parishes (not PP's and APP's in 1997). 3. The minimum charge is for \$3.3 million value of buildings and contents (about half of the parishes have values in excess of \$3.3 million) plus public liability, directors and officers, professional indemnity, fidelity and voluntary workers cover. 4. The minimum charge is for \$0.8 million value of buildings and contents (almost all parishes have values in excess of \$0.8 million) plus public liability, directors and officers, professional indemnity, fidelity and voluntary workers cover.			

4. Towards Full Recovery of Parish Ministry and Property Costs

4.1 At present parishes do not fully pay for their ministry and property costs. The policy is to fully recover these costs by 2000. The under-recovery for 1998 is \$392,000 (3rd Schedule, line item 1 less line item 4). The under-recoveries, materially reduced compared with 1997, will be further reduced in 1999 and eliminated by 2000.

4.2 Our preliminary estimates of the rates in 2000 to achieve full recovery (ie. when line item 1 equals line item 4) are for Formula A, a minimum charge of \$13,500 or 5.2% of net receipts if these are over \$260,000; for Formula B, a minimum charge of \$9,250 plus 6.5% of net receipts over \$70,000.

5. Aboriginal Ministry Trust Fund

5.1 Synod Resolution 18/96 states -

“This Synod directs the Standing Committee to include in Synod Appropriations Ordinances allocations of \$300,000 pa for the

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years 1998 to 2001 inclusive, to establish an Aboriginal Ministry Trust Fund. Synod further requests Regional Councils in consultation with the Archbishop's Aboriginal Task Force to provide Standing Committee with a brief report by 1 June 1997 covering the opportunities in their Region for Ministry to Aboriginal people and communities."

5.2 Instead of annual allocations, the Standing Committee proposes, under a separate Bill, a once-off appropriation of \$1.2M from the Diocesan Endowment. If the \$1.2m appropriation is not made this year, the allocations in this Bill will need to be increased by \$300,000, or the Synod resolution will not have been acted on.

6. Appropriations from Trusts etc

Diocesan Endowment and other trusts

6.1 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 overall are down by \$607,000. The Diocesan Endowment appropriation is \$26,000 less than 1997 (see 6.5). The reduction of other trust appropriations is primarily a result of the one-off insurance refund last year from the Property Trust of \$642,000.

6.2 There are increased appropriations from most of the other trusts. We continue to be grateful to parishes like Hornsby, Liverpool, Manly, Narellan, Ryde, St James' Sydney, and St Philips' Sydney which are to contribute \$1.4m in total for 1998.

6.3 However, we note a downward trend in this type of appropriation. This is the result of recent ordinance reviews reducing (or eliminating) income to Synod or not adding capital to the Diocesan Endowment. This trend will cause further difficulties for Synod's finances in the years ahead unless it is reversed.

Provision for Poor Years

6.4 Several years ago there were expectations of poor years when distributions from the Diocesan Endowment would be depressed, and some income was kept in a Provision for Distribution as a "reserve" until required. This "reserve" will have fallen from \$8m in 1994 to \$3.99m by 31 December 1997 if \$1.2 million is appropriated to set up the Aboriginal Ministry Trust Fund (see 5.2). The Provision should be used only in emergencies and is unlikely to receive any top-up in the foreseeable future.

6.5 Due to the erosion of the capital of the Diocesan Endowment (see last year's report pages 557 - 558 1997 Year Book), the rate of distribution has been reduced from 75% to 70% of the Operating Surplus for 1996, and in each subsequent

year it will be reduced by 1% until 65% is distributed in 2003. It is clear that a distribution rate of 75% since the late 1960's has not enabled the Diocesan Endowment to provide a sufficiently growing capital base to ensure increased future distributions. The implications of these proposals are shown in the following table which shows a significant dip in the estimated flow of funds from the Diocesan Endowment to the Synod, and is reflected in the 3rd Schedule of the Bill.

Diocesan Endowment - Provision for Distribution					
Year of Synod Distribution	1997	1998	1999	2000	2001
Rate of Appropriation to Provision for Distribution	75%	70%	69%	68%	67%
	\$	\$	\$	\$	\$
\$000s Brought Forward	5,296	3,991	3,991	3,991	3,991
Distribution from Operating Surplus ¹	6,005	6,084	5,157	5,423	5,544
	11,301	10,075	9,148	9,414	9,535
Less Appropriations by Synod ²	7,310	6,084	5,157	5,423	5,544
Carried Forward	3,991	3,991	3,991	3,991	3,991
Notes					
1. From Operating Surplus 2 years prior to distribution.					
2. For 1997 includes \$1.2m for Aboriginal Ministry Trust Fund.					

7. Interest Group Committees

7.1 As foreshadowed, committees were formed this year for line items 5, 7 and 8. We have adopted the line item 7 committee's recommendations, most of the line item 5 committee's recommendations and substantially adopted the line item 8 committee's recommendation to allocate the same amount as 1997 however there was little scope for increased allocations due to our reduced funds.

8. Allocation of Funds

Our approach to recommended allocations

8.1 Given the reduced funds available we have sought to hold allocations at 1997 levels except where smaller amounts have been requested. Any increases have been few. We have reduced some allocations, especially where reserve funds are held. We could not recommend allocations for new programmes, such as the Church Planting/Church Growth Synod request for \$300,000 (see page 556, 1997 Year Book) without an increase in parish charges or a decrease in allocations to organisations.

Archbishop's comments

8.2 The Archbishop has indicated that he would like continued support for in-service ministry training including CEFM, training

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in personal evangelism (part line item 5), and children's and youth ministries in our parishes (part line item 8). Where possible we have given effect to the Archbishop's wishes.

General Synod - Special Assessment

8.3 We do not recommend the payment of General Synod - Special Assessments, which is consistent with our approach in recent years. Instead, where possible, we have recommended grants outside the Diocese.

Contingencies

8.4 With a tight 1998 budget Contingencies have been set at \$94,000.

9. Comments on Allocations

Recommended Allocation cuts on the lower of 1997 or request

9.1 The Standing Committee is recommending cuts in allocations on 1997 for certain programmes including -

Line item 3

- (a) Standing Committee - Rent Subsidies, St Andrew's House - cut \$76,000. The Standing Committee recognises a cut has long term consequences for -
 - (i) the agreement between the Standing Committee and the GAB where the former is responsible for the Church tenants in St Andrew's House;
 - (ii) the rent charged to and the space occupied by Church tenants;
 - (iii) the concept of some organisations being together in St Andrew's House to assist in their effectiveness; and
 - (iv) the returns to the Diocesan Endowment and the Endowment of the See from St Andrew's House.

The grant request included \$61,000 for unoccupied space and it seems that much of the cut for 1998 could be achieved by renegotiating the agreement.

Line item 4

- (b) Sexual Misconduct Protocol - cut \$50,000. This reduces the recovery charge on each parish from \$500 to \$400. The Standing Committee has been assured that there are a number of people who may seek counselling and that the causes of the problems have been dealt with.
- (c) CPT Parish Insurances - cut \$30,000 due to expectations of steady markets and good management.

Line item 5

- (d) AYD - Training full time Youth Ministers - cut \$8,000 to reflect reduced numbers under training.

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Line item 8

- (e) AYD's Camping Programme - the allocation is equal to the CENEF income distribution, a cut of \$10,000.

Line item 9

- (f) Anglican Counselling Centre - cut \$26,000.
- (g) Archbishop - Clergy Mobility Assistance Fund - cut \$50,000, Pastoral Relief - cut \$30,000, Appeals Administration - cut \$25,000 due to build up of reserves, and Vision 2001 Projects - cut \$40,000 which might be funded from appeals.

Line item 10

- (h) Standing Committee - WCC Assembly 1998, Harare - we do not recommend an allocation towards the Primate's request that Sydney contribute \$6,500.

Recommended Allocation increases on 1997

9.2 The Standing Committee is recommending increases in allocations on 1997 for certain programmes including -

Line item 3

- (a) Social Issues Committee - increased by \$34,000 for the full 1998 operating cost. In 1997 the grant was cut 50% to use up reserves.
- (b) Sydney Diocesan Secretariat - Servicing the Synod - increased by \$7,000, however this does not meet the full increase of \$31,000 in the cost to run Synod.

Line item 5

- (c) Continuing Education for Ministers - increased by \$18,000 to fund an additional part time staff member and to train assistant ministers in personal evangelism (see 8.2).
- (d) Moore College - General Theological Education - increased \$81,000 to reflect its strategic priority to the Diocese in 1998.

Line item 7

- (e) Regional Councils - North Sydney - increased \$20,000 to address an imbalance.

Line item 9

- (f) Olympic/Para Olympic Games Task Force - increased \$30,000 because it is unlikely to raise significant funds to meet its annual costs.
- (g) St Andrew's Cathedral Chapter - increased \$24,000 in part to fund staff car parking.

For and on behalf of the Standing Committee.

M.S. Francis
21 August 1997

[List of Parish Ministry and Property Cost Recoveries and Line Item Schedules not reproduced here]