

Synod Appropriations and Allocations Ordinance 2002

Explanatory Report

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Introduction

1. The Diocese of Sydney is blessed by having the property known as the Diocesan Endowment which provides a substantial source of funds each year for distribution by the Synod. Further, there are other trust funds which also generate income for distribution. The Synod needs to be a good steward of those funds and ensure that they are applied in a way that best reflects and supports the Mission of the Diocese.

2. In 2001 Synod adopted the report titled "Focussing Resources for the Gospel" and asked that this year the Standing Committee bring forward an ordinance for the proposed Synod funding allocations 2003-2005 that is based on a strategy driven model. Also at the Synod in 2001, the Archbishop outlined the Diocesan Mission which is -

"To glorify God by proclaiming our Saviour the Lord Jesus Christ in prayerful dependence on the Holy Spirit, so that everyone will hear his call to repent, trust and serve Christ in love, and be established in the fellowship of his disciples while they await his return."

3. Since the last session of Synod the Archbishop has continued to consult widely and share his vision of what this Mission entails and the goal for our own Diocese. That goal is -

"To see 10% of the population of the Diocese in Bible-based Christian churches in 10 years."

4. Working in close consultation with the Archbishop, the Mission Taskforce and the Standing Committee have identified the fundamental aim -

"To multiply Bible-based Christian fellowships and congregations which both nurture their members and expand themselves, both in the Diocese and in all the world."

5. From that aim the Archbishop, Mission Taskforce and Standing Committee have developed the following four fold policy in submission to the Lord Jesus Christ and his command to make disciples of all nations -

1. To call upon God for such outpouring of his Spirit that his people will be assured of his love though his word, seek to please the Saviour in all things, manifest the godly life and be filled with prayerful and sacrificial compassion for the lost in all the world.
2. To enable parish churches to expand numerically, nurture their members, and also become the mother-churches of as many fellowships and congregations as possible and also to take further initiatives to create fellowships by penetrating structures of society beyond the reach of the parish church with the gospel.
3. To multiply the number of well-trained persons (ordained, lay, full time, part time, voluntary) dedicated to the creation and development of such parishes, congregations and fellowships by proclaiming the gospel.
4. To reform the life of the Diocese (including its culture, ordinances, customs, use of resources, and deployment of ministry) to encourage and enable the fulfilment of the fundamental aim."

Allocations policy

6. On the basis of this four fold policy, funding recommendations to be brought to the Synod will be made with the aim of achieving the following target percentages by 2005 (see explanations in paragraph 7 following).

Policy 1A	- Spiritual renewal	0.5%
Policy 1B	- Expenditure outside the Diocese	<u>4.5%</u>
	total Policy 1	5.0%
Policy 2A	- To enable parish churches to expand, and to become the mother-churches of as many congregations and fellowships as possible	21.0%
Policy 2B	- Background support for the expansion of congregations and fellowships	<u>21.0%</u>
	total Policy 2	42.0%
Policy 3	- To multiply the number of well-trained persons - ordained, lay, full time, part time and voluntary	33.0%
Policy 4	- To reform the structures and processes of the Diocese	1.0%
Administration for the Mission		<u>19.0%</u>
		100.0%

Explanations for 2005 target percentages

7. These target percentages for the allocation of Synod funds by the end of the next triennium (2005) were derived -

- after reviewing the historical actuals for the current triennium (2000-2002),
- taking account of the policy shift to strategy driven funding endorsed by the Synod in 2001,
- shaping the allocations to reflect the priorities of the four fold policies enunciated above.

- Policy 1A - Little direct funding needed here, but the percentage is a notional amount to signify a commitment to this as the first priority in mission.
- Policy 1B - Reflects the principle of supporting others in a spirit of generosity and recognising that this Diocese has much more than most others it was considered appropriate to increase this allocation over the next triennium.
- Policy 2A - The increase in funding applied to this area reflects the fact that the primary thrust of mission strategy is to see an expansion in the number and size of local congregations and fellowships. By its nature this should be mainly seed funding to see new ministries established (eg. church plants), and once established these congregations and fellowships should be self-funding.
- Policy 2B - There could be areas of duplication that will need to be dealt with once the policy committee overseeing the funding of this work focuses on the strategy to be achieved. There are also possibilities to raise funds from other sources for these programs.
- Policy 3 - A significant increase in funding is proposed since this area is expensive, but is a key generator of future growth. This is therefore an excellent example of the need for a strategic review of current methods to find new and smarter ways of meeting our policy objective if we are to achieve even better results.

- Policy 4 - Little direct funding is required as much will be achieved through our (no-cost) committee structures, but there will be a need for some specialist external assistance.
- Administration - The target percentage reflects a conscious tightening of the proportion of income spent on administration to better match benchmarks in the Government/business sectors.

Transitional arrangements 2003-2005

8. The 2000-2002 triennium gave the Synod and those Diocesan organisations that were Ministry Partners the benefit of having a degree of stability in the funding allocations from year to year. Standing Committee recognises that recipients of Synod funds need to be given adequate time to adjust their own programs and expand, cut back or restructure their own processes and systems if the level of funding is to alter significantly.

9. Consequently, it is proposed that funding allocations in 2003 be substantially the same as in 2002, but that over the next 12 months the time be used to determine any changes in funding direction that may need to be made for 2004-2005 in the context of the Mission (refer 29).

10. In order to provide a transition process that is both fair and transparent the Standing Committee proposes the following structure for establishing the Synod funding allocations for 2003-2005 -

- (a) Synod in 2002 to -
- (i) Approve the target percentage allocations for 2005.
 - (ii) Approve the specific allocations to be made in 2003 (generally 2002 + 3%).
 - (iii) Approve the interim target percentages for each policy in 2004, as set out on the schedule.
 - (iv) Approve the process to be undertaken during 2002-2003 to determine the recommended allocations to particular programs within each policy for 2004 and 2005 (refer allocation of funds 2004 and 2005, paragraph 29).
- (b) Synod in 2003 to approve the specific allocations within each policy for 2004 and 2005.
- (c) Synod in 2004 to receive a report and approve the target percentages for each policy for triennium 2006-2008.

Projected income

11. The sources of the projected income available to Synod for the 2003-2005 triennium are detailed in the attached financial table. The major element comprises the distribution from the Diocesan Endowment under the Diocesan Endowment Ordinance 1984.

12. Earlier this year Standing Committee passed amendments to this ordinance designed to implement key elements of the business plan of the Glebe Administration Board (GAB) and Sydney Diocesan Secretariat for 2001-2005. The primary objective of that plan is to lift the performance of the investment operations (measured as percentage return on net assets) from the current average of 8.5% per annum to an average of 12% per annum.

13. The Standing Committee accepted that to achieve this object a change in investment culture was required. To facilitate that a change was needed in the basis upon which the GAB makes its annual distribution to the Synod from the Diocesan Endowment.

14. Previously, under this ordinance, the annual distribution to the Synod was calculated by reference to the income of the Diocesan Endowment (or, more particularly, by reference to the "operating surplus" as defined in the ordinance). The method of distribution has now been changed so that it is now one which is based on the net assets of the Diocesan Endowment.

15. In principle, the change was made because faults in the previous definition of "operating surplus" in the Diocesan Endowment Ordinance 1984 inhibited the free flow of investment funds between asset classes and forced an inappropriate focus in investment decision making.

16. Further, the GAB wanted to change from a focus on income for distribution purposes to one which focusses on total returns. The difference is that the income based process ignores capital gains in property and unrealised capital gains in equities, while focussing on income. Previously when the GAB sought to achieve the best for the Synod it was not uncommon to forgo the best investment result to produce (or not produce) distributable income. The total return culture focuses on the total sum of income plus capital growth and allows GAB staff to work to the best total return which also helps to smooth out the abrupt changes in more narrowly defined income that can occur from one year to the next.

17. The distribution to Synod is now calculated as 5.4% of the average net assets for the preceding 3 years. That amount becomes the provision for distribution in the GAB's accounts. This means that

the distribution available to Synod in 2003 is the average of the GAB's net assets at the end of the years 1998, 1999 and 2000. Similarly the distribution available in 2004 is largely locked-in already and even for 2005 more than half of the components of the average are already known.

18. In considering the funds available to Synod it is necessary to remember that 2003 is significantly advantaged by the distribution of approximately \$0.8m in franking credits. This was a one off event.

19. The income available from other trusts is a declining proportion of the total projected income, and indeed for the 2003-2005 triennium it is expected to be less in absolute terms than for 2000-2002 due to the reduction in the capital base of several of these trusts.

Reserves

20. The allocations proposed for the years 2003-2005 assume a balanced budget each year as this is considered to be the most responsible basis on which to prepare the forward estimates.

21. There are also some reserve funds available to the Synod. Approximately 10 years ago the reserves totalled nearly \$10 million, but since that time various amounts have been appropriated to fund the Sydney Anglican Indigenous Peoples' Ministries, St Andrew's Cathedral renovations and Anglican Youthworks projects to name a few, leaving only \$1.6 million available at present.

22. It is especially important now, given the low level which the reserves have reached, that they should only be used to fund capital works and should not be allowed to be diverted to supplement recurrent expenditure.

New applications

23. As explained in paragraph 10 above, the proposed allocations to individual programs in 2003 are generally based on 2002 + 3%. The main exception in relation to on-going programs is the proposed Synod contribution toward the insurance cost of parish heritage buildings. The funding for this program has been increased approximately 90% in line with the overall increase in the cost of the parish insurance program run by the Church Property Trust which is recovered from parishes as part of the parochial cost recoveries charge.

24. As a deliberate policy decision this year, given the change to adopt strategy driven funding principles as requested by Synod in 2001, the Mission Taskforce did not invite or solicit applications for funding for 2003. Nevertheless a number of organisations have submitted applications for new or increased funding, these include -

Anglicare - chaplains	\$800,000 per year
Anglicare marriage/relationship counselling - maintenance of existing	\$300,000 per year
- enhancement of skills	\$60,000 per year
Anglican Youthworks - Shoalhaven	\$600,000
Car and Insurance Fund	\$200,000 for 2003
Car and Insurance Fund	\$600,000 later years
Evangelism Ministries - new staff member	\$80,000 per year
CEBS - new staff position	\$20,000 per year
Defence Force	\$1,000 per year

25. In line with the general proposal to fund 2002 programs continuing in 2003 at the 2002 level of funding + 3%, all these applications have been deferred (meaning that no funding for 2003 is recommended), to be considered by the policy group responsible for the relevant policy during 2002 and 2003.

Programs not funded

26. The footnotes to the attached financial schedules also itemise two groups of programs that are not funded in 2003 -

- (a) those one-off programs whose funding was not anticipated to go beyond the 2000-2002 triennium, and
- (b) those continuing programs whose Synod funding has been discontinued.

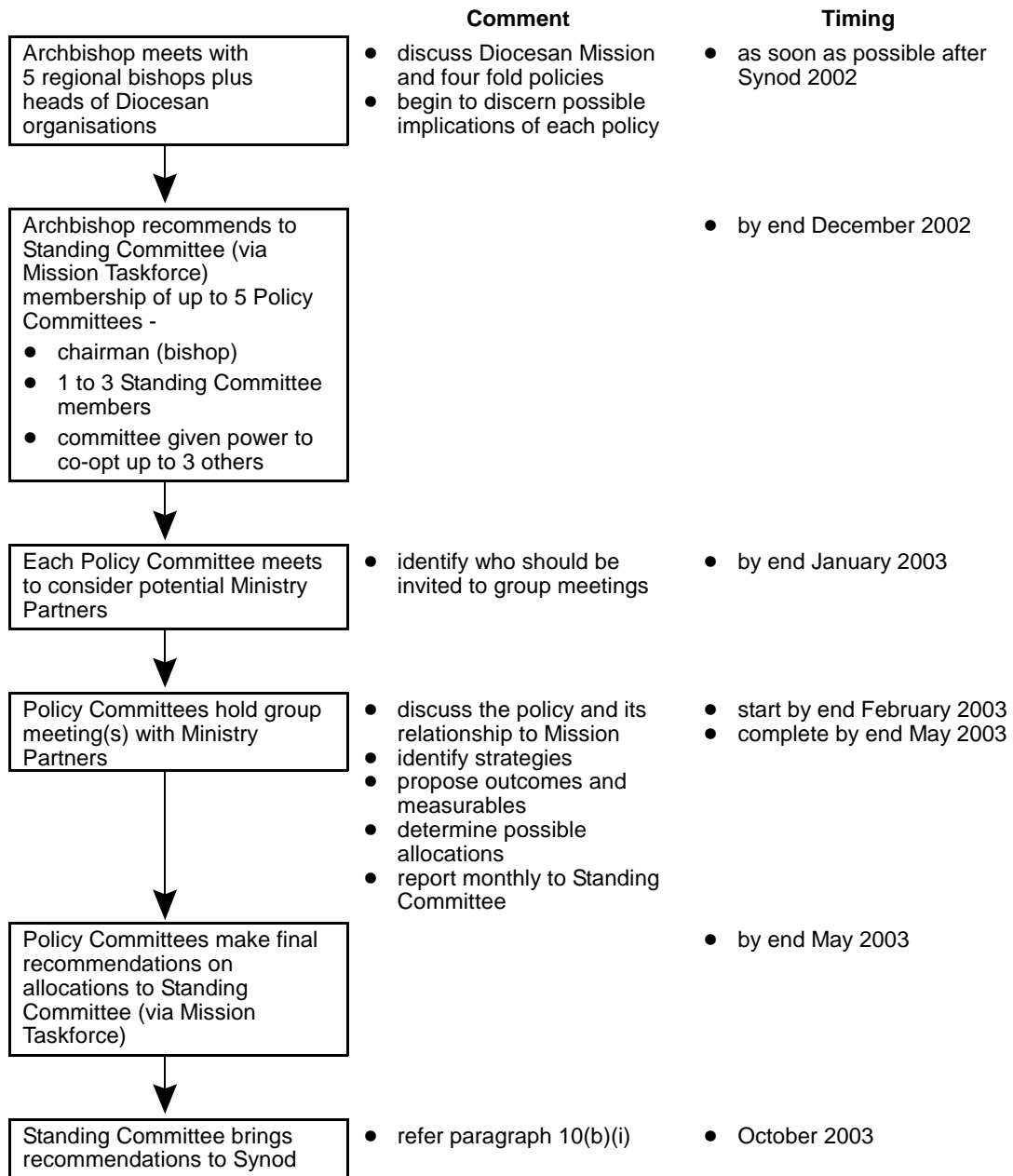
Raising direct funds

27. As part of the review of Synod funding to each of the four fold policies identified in the Mission strategy, when the policy committees referred to in paragraph 29 meet with the relevant diocesan organisations and other Ministry Partners, they will be encouraging each entity to look to new and innovative ways to raise their own funds independent of the Synod. To the extent that organisations may feel there are structural impediments to them doing this it will be part of the review of the structures and processes of the Diocese to remove those impediments, both by removing any element of "claw-back" in any formula for Synod funding and by recommending and implementing any amendments to ordinances necessary to give the organisations authority and responsibility to raise their own funds.

28. Furthermore, the policy committees themselves will be encouraged to consider other methods of funding which will emphasise critical seed funding for new initiatives, and provide for a portion of the funds from Synod to be made available to programs that offer a linked funding initiative, where any Synod funds are matched by the local fund raising (although not necessarily on a dollar for dollar basis).

Allocation of funds for 2004 and 2005

29. It is proposed to use policy committees to determine the allocation of funds in 2004 and 2005. Since there are 4 major policies plus the Administration of the Mission there may be up to 5 policy committees. In the context of this committee structure the following process is proposed -



Recommendation

30. The Mission Taskforce and Standing Committee recommends that the Synod in 2002 -

- (a) Approve the target percentage allocations for 2005 set out in paragraph 6.
- (b) Approve the specific allocations to be made in 2003 (generally 2002 + 3%) as detailed in the financial schedules attached.
- (c) Approve the interim target percentages for each policy in 2004, as set out on the financial schedule attached.
- (d) Approve the process to be undertaken during 2002-2003 to determine the recommended allocations to particular programs within each policy for 2004 and 2005 (refer paragraph 29). The sum of the total allocations within a policy will be determined by the target percentage for that policy agreed in (a) and (c) above.

BISHOP PETER TASKER
For and on behalf of the Mission Taskforce

16 September 2002