

Capital Projects Fund Ordinance 2005

Explanatory Statement

Purposes of the proposed ordinance

1. The purposes of the proposed ordinance are -
 - (a) to establish a fund into which payments of capital raised through the New Capital Project (the "Project") are to be made, and
 - (b) to put in place a procedure for determining how such capital is to be applied for such purposes of the Diocese of Sydney as will advance the Diocesan Mission.

Introduction

2. The Project commenced in 2004 in recognition of the need to generate large amounts of capital for the Diocesan Mission, and the recognition that the Mission may be impeded if capital is not available.
3. One of the aims of stage 1 of the Project has been to test the proposition that significant sums of capital can be generated from the existing assets of the Diocese.
4. A report about the progress of the Project is printed separately.
5. To date, the Project has been limited to raising capital. Questions about how capital is to be spent or applied have not been formally addressed. However, as the Project has progressed, one of the key questions emerging has been how decisions about the spending of the capital raised will be made. Given the progress of the Project, it is appropriate to formalise the process by which capital funds raised through the Project should be managed, spent and applied.

Principles of a spending strategy

6. In determining the appropriate process for making decisions about how capital raised should be spent several key principles are suggested -
 - (a) The capital raised should be paid into a special purpose fund (the "Fund") constituted by ordinance and held by the Property Trust as trustee. This structure will enhance the integrity and transparency of the capital spending process, and the stewardship responsibilities attached with managing a fund of this type.
 - (b) The Synod or the Standing Committee should determine the application of the capital of the Fund. The application of the capital is to be driven by Mission strategy, and is to be demonstrably Mission oriented.
 - (c) In accordance with current Diocesan policies, the preservation of capital must be achieved. Income generated can be used for operational purposes, but capital should remain.
 - (d) There are many ways in which capital raised by the Project could be spent or applied and it does not follow that capital should be given by grant or gift in all cases. It may be appropriate in a particular case that capital be supplied by way of loan, repayable over an agreed term with or without interest.

The proposed ordinance

7. The main provisions of the proposed ordinance provide as follows.

Constitution of the Fund

8. The Fund will be constituted by clause 3 of the proposed ordinance. The Property Trust will be the trustee.

Application of capital of the Fund towards "eligible projects"

9. Clause 5 sets out the proposed rules for the application of capital. The main provision is proposed clause 5(1) which provides that the capital of the Fund is to be applied towards "eligible projects" in such priority and manner as the Standing Committee may direct from time to time.
10. Clause 5(3) defines "eligible projects" to mean one or more of the following -

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- (a) The acquisition or development of land or the construction or renovation of any building on land held or to be held for the purposes of Moore Theological College as are consistent with the object of the Council of the College.
- (b) The acquisition or development of land or the construction or renovation of any ministry building pursuant to the latest strategic plan approved under the Mission Property Ordinance 2002. These strategic plans generally relate to the acquisition of land and buildings in new housing areas of the Diocese.
- (c) Any other project or class or projects for the purposes of the Diocese identified by resolution of the Synod to advance the Diocesan Mission.

11. The projects referred to in paragraphs 10(a) and (b) have already been identified as key Mission projects which have large infrastructure needs. The principle in paragraph 10(c) will give the Synod the opportunity to endorse other Mission projects for the purposes of the proposed ordinance.

12. Proposed clause 5(2) also contemplates that capital may be made available by way of loan, rather than by way of grant.

Application of income of the Fund

13. Proposed clause 6 will allow the income of the fund to be applied towards meeting the reasonable costs of maintaining the Diocesan data base established under stage 1 of the Project. Ongoing funding is needed to maintain the data base if it is to remain a useful and relevant resource for the Diocese. The balance of the income is to be capitalised.

Management of the Fund

14. Proposed clause 7 sets out the powers of the trustee in relation to the management of the Fund.

15. In particular, the clause will give the trustee power to borrow at the direction of the Standing Committee. It is possible that the Project will generate an income stream from the leasing of church property that will be sufficient to service a loan that can then be used for capital purposes. The intention of the power to borrow is to allow capital funds to be raised by way of loan in an appropriate case.

Miscellaneous

16. The proposed ordinance contains a number of other miscellaneous provisions, including requirements as to reporting about the Fund (proposed clause 8), and a review date for the proposed ordinance (proposed clause 9).

Recommendation

17. The Standing Committee recommends that the Synod pass the proposed ordinance as an ordinance.

For and on behalf of the Standing Committee

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General Manager, Parish Services

24 August 2005