

# DISCUSSION PAPER

## DRAFT STATEMENT ON FINANCIAL PRIORITIES

### 1. Introduction

At the 2011 Synod a draft statement on funding principles and priorities for 2013-2015 was presented and discussed. Synod resolved to invite members to make submissions on the principles and proposals contained in that statement. This paper is one contribution to this ongoing discussion. It does not represent the views of the Anglican Church League (ACL) which actually has no policy on these matters. I am the Chairman of the Glebe Administration Board (GAB). This paper is an expression of my personal views and does not reflect those of the GAB, which on this subject has no policy as appropriation policies are outside its charter. I am also the Chairman of the Sydney Diocesan Secretariat (SDS) which provides fee for service facilities to the Synod and Standing Committee, funded through the Appropriation Ordinance. These comments are unrelated to any of these roles.

The draft statement defines its purpose as finding 'the best way forward with reduced resources to fund and support our mission'. In pursuit of this objective it recommends 'a new approach to understanding our central diocesan budgeting process'. It said there was a need to deal with 'all aspects' of central expenditure and to make 'explicit and transparent the costs (and benefits) of being a member of the Sydney Diocese'. This paper is my attempt to understand and comment on this 'new approach', to put the process in some historical context and to set out some principles that might assist as people consider future options. My analysis may or may not be correct, but I have tried to follow the line of argument as best I can. If I have misunderstood what it is saying, I apologise. In any case, the discussion about budgeting processes and appropriations is long overdue and the Synod's request for responses should not slip by without real debate.

### 2. An Analysis of the Draft Statement of Funding Principles and Priorities

Annual year books disclose that from 1994 to 2010 the total income appropriated was \$160.7 million. In today's dollars that would be approaching a quarter of a billion dollars. The draft statement acknowledges the obvious fact that in recent decades, including during the period of the Diocesan Mission, the 'centre' appropriated too much to sustain the long term viability of the endowments. Why this happened, and what were the long term benefits of these expenditures could just as well have been the subject of an inquiry as the recent inquiry into the central organisations.

By referring to the 'centre' I believe the statement discloses a false dichotomy between the parishes and the Synod. The Synod is the parishes meeting as their *representative* body. The 'centre' is really the structures set up by the Standing Committee to recommend and implement how Synod funds should be spent. An

example of this false dichotomy is the statement at Page 1 of the draft statement that the appropriations of the endowments have obscured the realities of spending, ‘... rather than the parishes contributing to the centre, the centre has subsidised the parishes’. The better view is that the parishes make up the Diocese and *their* Synod can choose to fund priorities from any source available to it, be that by taxing the parishes, raising money through appeals, (such as Donald Robinson’s *Vision for Growth*), using proceeds from endowments, or a combination of all these sources. It is all *their* money, none of it belongs to the ‘centre’.

In addition, the draft statement mixes up the three elements in the appropriations process in a way which tends to obscure the actual picture: *supply* (sources of income), the *processes* (how recommendations are arrived at), and *demand* (what the funds are actually spent on). An example of this is:

It is recommended that we adopt a new approach to understanding our central diocesan budgeting process. We see the need to deal with all aspects of central diocesan expenditure and to make explicit and transparent the costs (and benefits) of being a member of the Sydney Diocese.

Previously we have used various reserves and endowments in ways that have masked some of these costs. Our financial situation has forced us to face the reality that our endowments are insufficient to cover everything that we need and want to do, but this also provides an opportunity for our two main endowments – The Diocesan Endowment [DE] and the Endowment of the See [EOS] – to contribute in a transparent and co-ordinated way and for parishes to share the real costs of being a member of the Sydney Diocese.

Leaving aside considerations about who in recent years were responsible for not recognising these elementary mistakes, there are difficulties in untangling the many propositions in this section. Who is the ‘we’? Is it the ‘centre’, the Synod, the parishes or the ‘members of the Diocese’? Another example of mixing sources and expenditure is the proposal to redefine the relationship of the Archbishop to the Synod so that he would no longer be financed from his own endowment but by taxing the parishes, but his team would continue to be funded by the EOS outside of the Appropriations Ordinance, more on that later. The statement that the [current] financial situation ‘forces us’ to face the reality that our endowments are insufficient to ‘cover everything we need and want to do’ seems to overlook the fact that this has always been the case, and always will be, since no matter how much money there is, it will *never* be enough to do everything people want to do. As the economists say, ‘demand is insatiable’. Presumably what is meant is that with fewer resources now, we have to cut the coat to fit the cloth. This is correct, but it doesn’t follow that the present model *has* to change or that the proposed model is an improvement. Those propositions have to be demonstrated on their merits.

What follows next is a slide to a *different* proposition, namely that the parishes should *now* share the real cost of belonging to the Diocese. Up to 1996 they always did. Further, there has always been a case for parishes contributing to central appropriations. It was only the flood of funds from the DE in recent decades that led successive Standing Committees to choose to relieve the parishes of that obligation. Harry Goodhew made a good point in 1996 when he addressed what he called the *dependency upon investment income*. He said, ‘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 [investment income], 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 parish boundaries?’<sup>1</sup>

Looking at the current spread of expenditure programmes, if the so called ‘real costs’, what I prefer to call non-discretionary items, were separated out from what are really discretionary items, and some of those were reduced, it may not be necessary to tax the parishes as much as is foreshadowed in the draft model, if at all. These are matters to be determined by how much the Synod proposes to spend and the way priorities are determined.

More worrying to me is that there seems to be a new philosophy that being ‘Anglican’ should now become a basis for taxing parishes. If ‘Anglican’ is a synonym for ‘denomination’ and the point being made is that being part of a denominational network entails costs which have to be borne by the beneficiaries, then the amounts they have to pay can be argued on policy grounds. But the intention behind this use of ‘Anglican’ is not clear. Sydney Anglicans are loyal members of their denomination, but I think they would be suspicious of attempts to import a loaded term such as ‘Anglican’ to shape the way financial allocations are made.

Among these Anglican essentials are said to be, the Synod (and by implication central expenses), the Anglican Church of Australia (ACA) and the Archbishop.

On the matter of funding Synod and other related costs by taxing parishes because they arise from our being ‘Anglican’: Of course the parishes should pay for them, but not because they are ‘Anglican’ but because of practical necessity arising from being part of a denomination, which in our case just happens to be Anglican and not Presbyterian or whatever. They could fund them through *their* endowments if there is enough money or they could supplement them with taxes. In my view, whatever the merits of parish taxation they should be determined on grounds such as Harry Goodhew suggested, not on some construct about ‘Anglican identity’.

The Anglican Church of Australia (ACA) is described as an ‘Anglican essential’. This seems to be stretching the case for increasing parish taxes too far. Technically our membership is the result of a Synod vote in the 1950s to join the proposed ACA. It was hotly disputed at the time and if we had not gone into it, even according to the Constitution, we would still have been ‘Anglican’.<sup>2</sup> What we actually have here is an obligation to pay a tax to the ACA. Why not just pay what is due, as we always have, and be done with it? Subject of course to any assessment being properly constitutionally based. In my view arguments for taxing parishes should rest on grounds other than Anglicanism. More fundamentally, why is this novel idea of Anglicanism nominated as a *principle* in funds allocation at all? A general principle could just as easily be stated as: The Diocese has inherited certain obligations, such as assessments to the ACA, and it is proper for the Synod to meet those obligations, whatever they are, and from any source available to it.

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<sup>1</sup> 1997 Sydney Year Book, 322.

<sup>2</sup> See Clause 69 (3) of the Constitution of the ACA set out in the schedule to *Anglican Church of Australia Act 1961, Acts, Ordinances & Regulations 2005 Edition*, 32.

The Archbishop, as an *Anglican Essential* for the purposes of taxing the parishes, is put forward as a justification for transferring his costs away from the Endowment of the See Fund (EOS) to the Synod, while the expenses of his support team, though clearly just as 'Anglican' and functionally an extension of *his* ministry, are split off from him and assigned to the EOS. As a matter of history the Synod has never paid for the Archbishop. In fact, the office of Bishop of Sydney, and before that, the Bishop of Australia, predates the creation of the Synod. He has always been paid from his own endowment. This gives him independence. I may be mistaken, but I can't imagine any Archbishop of Sydney would want it any other way. To split the funding of the Archbishop from his team in this way is a significant proposal in itself, but taking into account the additional cost to the parishes, it needs to be argued for far beyond just stating it as a principle arising from being 'Anglican'. For one thing it involves the illusion that Synod would have a *real* choice when it came to funding the Archbishop. In normal circumstances Synod would not cut off his funding, though it could, meanwhile the claims on the EOS would be reduced in this fashion and he would have even greater freedom to finance his staff from an EOS no longer burdened by the need to fund him. This represents a significant shift in the balance away from Synod and to the Archbishop and the long term ecclesiological implications should be considered very carefully before such a step is taken.

If there *is* a principle with respect to the Archbishop and his team, surely it is to be found in the nature of our dual system of government, bishop and synod. The Archbishop's costs are paid for out of the Archbishop's endowment (EOS), giving him operational independence, and the costs of running the Synod are paid for out of its endowments, and if so thought, by taxing the parishes. With respect to the proportion of time that the Archbishop's team spends on Synod mandated work, a new principle could be adopted: that those costs should be paid for by the Synod on a pro-rata basis, since Synod legislated for them.<sup>3</sup> This whole question should be debated as a principle on its own, not as part of a budget restructure arising from a temporary shortage of funds.

Actually what the draft statement seems to be advancing is a new principle: That some *non-discretionary* items should be funded from one source, the parishes, but other *discretionary* programmes should be funded from other sources, the endowments. I hope this will be seriously examined. Historically, for the most part money available to the Synod, from whatever source, was pooled and then appropriated. (In recent years the anomalous situation of parish insurances, long service leave for clergy and superannuation was addressed, correctly in my view, by identifying them as direct *parish costs* which were processed centrally. They were removed from the Appropriations Ordinance and handled separately under the Parish Cost Recovery Ordinance. Commonsense says that situation should continue).

The draft statement says that all parishes should pay 'network costs'. What are network costs? One example offered is the Secretariat (SDS). The SDS is basically a fee for service organisation for the central diocesan organisations, some of which provide direct services to the parishes, others do not.<sup>4</sup> At present, the Synod funds its running

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<sup>3</sup> Actually this is not a new principle. See the 2009 Statement on post GFC funding of regional bishops from regional allocations.

<sup>4</sup> I declare that I am Chairman of the SDS.

expenses by paying a fee to the SDS through the Appropriations Ordinance. The EOS Committee pays for theirs from endowment income and from the investment in St Andrew's House (SAH). As far as Synod appropriations are concerned, if all income is pooled, the need to tag non-discretionary expenses as a 'network cost' disappears.

Looking further at this idea of directing money from different sources to fund different types of expenditure, the draft statement says the Synod should support 'essential mission spending', apparently through endowment income. But which programmes truly qualify as 'essential'? Surely they must be those we *cannot* do without, such as services, commitments, obligations and theological training. I know it has been the practice in recent years to describe many funded programmes as 'mission related' but before the Diocesan Mission, they used to be described as 'parish support programmes'. Whatever they are called, they were programmes over and above obligations etc. and therefore in reality *discretionary* programmes. They should stand on their merits in relation to funds available for discretionary expenditure, with priority going to those programmes of greatest value to the mission of the Diocese.

The draft paper has to be read with other documents circulated to Synod members, for example, the explanatory statement in the papers sent to Synod members on the *Parochial Cost Recoveries Ordinance 2009 Amendment Ordinance 2011*. In that ordinance the extension of items includes matters not directly related to parish costs, such as ACA costs, the NSW Council of Churches, and the Diocesan Archives. By including these for the 2012 ordinance in a sense presupposes the outcome of the discussion on the bigger questions of the appropriations process opened up in the draft statement about which submissions are now being sought.

One final comment on the draft statement: it covers 2013-2015, but in 2013 Synod will elect a new Archbishop. What direction he will take is unknown. In my experience, going back to Archbishop Gough, archbishops like to set their own agendas and seek to take the Diocese with them. Now would not seem to be the right time to set up a whole new way of appropriating funds when in two years time we could be considering new strategies, new priorities and new ways of doing our diocesan based activities. Perhaps it would be better to use this period to take a less hurried look at the whole process of appropriations, and in the meantime keep the current practices, even with their short term difficulties.

### **3. Looking Forward Looking Back**

I believe it is always helpful to examine the past in helping to decide what to do in the future, as the saying goes, 'those who ignore history are bound (or doomed) to repeat it'.<sup>5</sup> What follows is a brief survey of the many different ways diocesan leaders approached budgeting in the past. Some things they got right, some things they got wrong.

For the most part it was Standing Committee which effectively decided how to carve up the pie. To do this, a subcommittee was appointed to work through all the materials and bring a report with recommendations and a draft ordinance to the Standing Committee for consideration. Standing Committee took its responsibilities so

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<sup>5</sup> From George Santayana, *Reason in common Sense, the life of Reason*, Vol 1.

seriously that they regularly scheduled special meetings to deal exclusively with appropriation matters. The subcommittees had various names. The first was the Financial Priorities Committee (FPC), then the Diocesan Executive Board (DEB), followed by the Mission Task Force (MTF) and finally the Mission Board (MB). The MTF and MB had other functions as well, and it is an open question whether this detracted from the financial tasks. Whichever way the decision making bodies were set up, allocating funds was always an extremely complex, and politically sensitive task. That practice of special meetings has fallen away in recent times, leading unfortunately to Standing Committee becoming more remote from the process, with major decisions being made by small sub-committees. I think there is a strong case for Standing Committee becoming more directly involved.

At the heart of the demand, or appropriation side of Synod activity has always been the question; *how* to spend the money?<sup>6</sup> There was no shortage of good causes: Moore College (MTC), youth ministries, Christian education, church planting, caring ministries and many more. Indeed trying to fix on a rational basis for allocating funds was the chronic problem throughout all the years of plenty. But before the question of how to spend the money, there was a prior question: how *much* money should be spent? If too much, there was the risk of eating into the endowments or bleeding the parishes, if too little, the advocates of good causes would complain at the 'sin of hoarding'. It has already been noted that for the most part, too much was spent in the years of plenty.

#### **4. The spending process since 1980**

On the supply side, the GAB charter prescribes the objective of maintaining the real value of the DE and providing a reasonable amount for distribution, which was determined by various distribution formulae. However there was no allowance on the appropriation or demand side for *growing* the Endowment for future generations. That didn't seem to matter when the markets were up, but given that the times of massive income flows are probably over, it would be prudent to look at this issue again. I support recent statements to the effect that each generation should accept the responsibility of leaving behind *more* than they found.<sup>7</sup> This could be done by Synod deciding to put back into the DE from surpluses a set amount over and above CPI, as part of the Appropriations Ordinance. Then there is also the inescapable problem of cyclical variations in the market affecting income. In the past this was handled by setting aside a reserve to iron out these short term differences. That was a much better approach than raiding the DE to top up occasional shortfalls, which also used to happen. That is something that could be built into the system as well.

Over the relevant period there were many different ways that annual appropriations were made.

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<sup>6</sup> I have to declare that I was part of this period. At times I was on the demand side (Standing Committee, FPC and DEB), and on the supply side (GAB and SDS). I have to accept my share of the responsibility for the failings of this period.

<sup>7</sup> For example, the ACPT's Response to the Archbishop's Strategic Commission on Structure, Funding and Governance, 7 September 2011, said at page 5, 'The ACPT commends the Archbishop's stance in not appropriating a portion of some of the Archbishop's Discretionary Trusts, as to do so would be a sign that our current missional needs are more deserving of funding than (sic) those of future generations'.

- 1) Taking 1980 as a base year, the Standing Committee appointed the FPC to prepare recommendations. These were arrived at mostly by taking the previous year's allocations and adding for inflation. After non-discretionary expenses, such as Synod related expenses, grants were made to a list of diocesan organisations, such as MTC, the Youth Department and the Home Mission Society. The annual reports of Standing Committee disclose no strategy or principles for prioritising grants.
- 2) Moving to 1984, the process was for applicant organisations to be interviewed by members of the FPC, who were invariably assured that the money was being well spent. The FPC came to realise this was an inadequate approach and in 1986 suggested that the Standing Committee establish a Structures and Priorities Investigations Committee (SPIC) to do a detailed audit of major organisations to ascertain whether they were functioning in an efficient and cost effective way and therefore suitable to receive grants. As a means of indentifying priorities this was totally ineffective because it measured the efficiency of the organisation concerned but not *why* it should receive funding over and against other efficient and worthy bodies. It was closed down in 1991.<sup>8</sup>
- 3) The 1990 Income and Expenditure Ordinance attempted to divide and match income to certain types of expenditure. For example, Section 1 tries to link parish related income to parish related expenditure. The definition of such expenditure included items now covered by the PCR Ordinance plus programmes that had some connection with diocesan services in support of parish related matters, including Synod, Standing Committee and media. There were problems with this approach back then, such as the mixing of PCR items with central administration. Also, the amount raised by taxation didn't cover all that it wanted to and had to be topped up from endowment income. I was surprised to see this approach being revived in this current case. My belief is that if desired expenditure exceeds endowment income and taxation of parishes is required, it is better simply to pool all income into one amount, and allocate funds on a priority basis.
- 4) Throughout the 1980s there was a pervasive sense that there was no actual strategic purpose behind appropriations at all and therefore no way to determine priorities.<sup>9</sup> As a result, in 1990 Price Waterhouse Urick was engaged to examine FPC's methodology and advise on strategic allocations. Their report may have been useful to ordinary top down commercial organisations but didn't take into account the special and complex nature of a body like the Diocese of Sydney and it proved to be of no help. This meant the FPC had to start again. Members were assigned to meet together in twos to come up with ideas as to the basic purpose of the Diocese and how to make allocations. Members of Standing Committee were also asked to give written submissions as well, which many did. Out of this process a consensus started to emerge that the Diocese should be seen essentially as its parishes, with diocesan structures there to support the work of the parishes or do what parishes could not do on their own, such as theological education and other specialist services. Also there was a

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<sup>8</sup> I was a member of SPIC.

<sup>9</sup> I was a member of the FPC.

growing feeling that henceforth *specific programmes* should be funded rather than organisations. The FPC appointed a sub-committee, comprising myself as convenor, Bishop Harry Goodhew and Laurie Scandrett to devise specific ways to implement this idea. The FPC adopted the sub-committee's recommendations in February 1991. They were, after non-discretionary items were provided for, that programmes which added value to the work of parishes should be given top priority and other less parish related programmes to follow behind. Within these categories, individual programmes were rated by a secret balloting system to avoid conflicts of interest within the FPC. The income and expenditure ordinances from 1991 to 1995 were based on this methodology.

- 5) During Archbishop Goodhew's time, the FPC functions were taken over by the DEB which recast the *Appropriation Ordinance*, as it came to be called, to reflect the principles on expenditure as they were thought of at that time. They were in reality a series of vision statements based on aspirations for what was *hoped* would happen in the following ten years. For example, under the heading 'Fastest Growing Church in Sydney-Doubling in Ten Years', the goal of the allocations was identified as:

The regular attendance in Anglican churches has increased by over 100% over the last 10 years. Much of this growth has come from new areas, from young people and from people with a variety of ethnic background. Traditionally strong Anglican areas have been revitalised through rationalisation and consolidation.<sup>10</sup>

As a statement of desired outcomes this was fine but as a means of deciding how to spend millions of dollars in a strategic and targeted way it was inadequate and in my opinion undid the work of many years in trying to fund programmes effectively.

The process of separating direct parish costs from the rest continued, soon to reach the point of becoming a separate ordinance.<sup>11</sup> The full regionalisation of the Diocese meant that allocations previously made to other organisations went to the new regional councils. The form of the ordinance reflected the fact that parts were prepared by different committees. For example, programmes under *Line Item 5* came from the Training and Ministry Committee. The explanatory statement said: 'A committee will review grant applications and make recommendations to the DEB at 3 levels. The levels would be set each year and 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'.<sup>12</sup> This approach was said to be a trial. The statement also said that in future the detailed schedules of expenditure would be printed separately or 'even not printed at all for the Synod in the future'.<sup>13</sup>

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<sup>10</sup> 1996 Sydney Year Book, 588.

<sup>11</sup> This became known as the *Parochial Cost Recoveries Ordinance*.

<sup>12</sup> 1997 Sydney Year Book, 544.

<sup>13</sup> 1997 Sydney Year Book, 544.

In 1997 the key strategies included compulsory obligations, ministry training, regionalisation, and the continuing process of separating direct parish costs from the main part of the Ordinance.<sup>14</sup>

- 6) When Peter Jensen became Archbishop the DEB became the instrument to advance the Diocesan Mission, with reaching 10% in 10 years as its central objective. This involved the identification of funding priorities as 'mission related'. The *Appropriation Ordinance* followed a similar structure to the Goodhew model. After five years of the Mission, the Archbishop said that the Mission had maintained 'a steady progress'.<sup>15</sup> He said that had been the easier stage, but that if exponential growth was going to be seen there would have to be 'an even greater and more determined forward move'. The Mission Board report concurred, saying, that the growth in the first five years was 'modest at best'. They too called for a radical change concept to reach into the community.<sup>16</sup> Clearly financial allocations were to be part of this strategy.
- 7) Once the Global Financial Crisis of 2008 (GFC) and the concurrent problems of the EOS emerged in 2009, the basic assumptions behind appropriations had to change to take into account the massive drop in funds. In 2009 the Mission Board issued a statement noting the decline in the DE but that parish income had been relatively stable. The statement said: '[The] priority of the parish should be maintained and therefore no assessments on parish giving are proposed to make up for the shortfall in central income'.<sup>17</sup> With respect to local projects the statement said they would need to be funded through local fund raising. Furthermore, funding from EOS and the DE would be co-ordinated to serve the restructure of the total services of the Mission, including the possibility that assistant bishops might need to be part of the allocations of the regions, to be funded by the Synod. The 2009 statement also said (correctly in my view), that the recruitment and training of gospel workers was the best strategic use of central funds for church growth in the long term. The aspiration to hold organisations accountable 'for their performance against objectives ...' was restated, with the details on how this would be done to be worked out. To my memory, this aspiration has long been acknowledged, but I am yet to see how it has ever been implemented.

This is a brief survey of the history of funds allocation over the last 30 years. I hope I haven't missed any important thing. If I have, I would welcome correction. Overall it shows how difficult generations of diocesan leaders have found the task to be. This current proposal is just another example of this difficulty. This is all the more reason why this process should proceed carefully and with the fullest engagement of the Standing Committee and then the Synod.

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<sup>14</sup> *1998 Sydney Year Book*, 498. See 528 for summary of the ordinance structure.

<sup>15</sup> *2007 Sydney Year Book*, 461.

<sup>16</sup> *2007 Sydney Year Book*, 462.

<sup>17</sup> *Strategic Directions 2010-2012, Synod Report for 2009 Synod* in SDS Website, 2.

## 5. Some Suggestions

It is a long time since I had a role in preparing appropriation ordinances but if I did have a say, and taking the experiences of the last 30 years into account, I think I would be considering operating principles like these:

- 1) The processes of recommending appropriations should involve as many people as practicable and as far as possible, be free of conflicts of interest. That would at least mean that those involved in the raising the funds (GAB etc), and those involved in spending them (members of the Mission Board and other recipient organisations) should not be part of the body making the recommendations on how the money should be allocated.
- 2) The first decision would be to determine the total amount to be spent. If that amount exceeded the income from endowments and it was decided to tax the parishes to make up the difference, it should be explained to the Synod precisely how their contributions were expected to produce better gospel outcomes than if they were left in the hands of the parishes. In other words, the Synod would need to be persuaded that the proposed discretionary items were worth the tax. The Synod could decide how much to spend by choosing discretionary programmes up to figure 'A', 'B' and 'C' in ascending amounts and choosing a cut off point to fix the rate of taxation.
- 3) From the amount to be spent I would set aside some to go back into the DE to *grow* the Endowment for following generations, a kind of 'future fund'.
- 4) From what was left, I would establish a reserve fund to take into account the likely ups and downs of the economic cycle and thus not raid the DE or the parishes in lean years.
- 5) As a matter of good governance, first claim on the single pool of funds would be Synod expenses and other commitments and obligations. These are what I call, 'non-discretionary' items. I would include ministry training in this category since well trained ministers are a core need of the Diocese.
- 6) Then, since most evangelism and nurturing takes place in the parishes, first claim on discretionary funds would be given to those programmes that most effectively enhance the mission of the Diocese, which finds its main expression in parish life. For example, youth and child related activities and church planting.
- 7) Then and only then, would I be looking to fund programmes which further gospel ministry outside the parishes. If that involved 'Mission Related' programmes, I would want an accountability structure set up to ensure that money was well spent and outcomes monitored and reported on.
- 8) 'Work outside the Diocese' is to deal with the fact that Synod some years ago declined to pay the voluntary special assessment to the ACA and redirected those funds to outside causes which Sydney considered to be of higher gospel priority.

Now this approach is only my opinion. No doubt others would have other ideas. That is the point. Synod has requested that interested parties think about these things and come up with their own ideas and make submissions on the draft statement. I encourage everyone to get involved and have their say.

## 6. Different Models of Appropriation Ordinances

It might be helpful to review the details of the different models that were used in the period from the 1970s to the present. There have been three main such models.

### MODEL ONE: 1979 – 1990

The *1990 Income and Expenditure Ordinance* was the last in this series before major changes were made as outlined above. It is worth noting that it was prepared by the FPC and made up of many leading diocesan identities on Standing Committee and chaired by the Archbishop himself, with the Standing Committee being very much engaged in the process. It was drafted at a time of an emerging economic downturn, leading to an amount of the DE surplus being set aside as a reserve to even out appropriation in the following years.<sup>18</sup> Income for that year's ordinance came from three sources and was lumped together: parish taxation or assessments, being 12% of parish income, DE surpluses, and other trust income.

The budgets from 1979 to 1990 reflected certain principles. They were:

- 1) Bearing in mind the need to maintain the scope of diocesan mission and ministry and the potential of some organisations to raise considerable amounts of money, and the available income each year and after paying for diocesan services, commitments and obligations [in other words, non-discretionary items], funds went first to the training of ordinands, second, to general training for Christian ministry, Christian education evangelism, media, chaplaincies and social work.
- 2) The principle for determining how much and in what order of priority related to 'contact with people, the ability to cope with new challenges and changing situations, effectiveness in fulfilling long term obligations, the capacity of the organisations to raise their own income and, 'other special circumstances'.
- 3) Undergirding all of these was that the principal work of the Diocese was in the parishes. Therefore, in assessing priorities the following questions [were] borne in view:
  - a. Does the work assist parish ministry?
  - b. Is it the type of work that cannot be done at the parish level, and is best carried out at a diocesan or regional level?
  - c. Is it a payment which is necessary having regard to the responsibility of the Diocese?<sup>19</sup>

As pointed out, there was a strong feeling in the FPC at the time that this approach did not actually direct funds in a way that reflected the statement of principles of

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<sup>18</sup> See *1991 Sydney Year Book*, 486.

<sup>19</sup> *1991 Sydney Year Book*, 491 in summarised form.

appropriation or that actually determined priorities. Basically what happened was that previous year's allocations were taken as the base and adjusted for inflation.

### **MODEL TWO: 1991 – 1995**

As described earlier, *the 1991 Income and Expenditure Ordinance* followed protracted consideration of ways of determining priorities.<sup>20</sup> The concept of funding specific programmes, and not organisations, was introduced in this ordinance and the actual programmes were listed in the bill rather than a separate report. The report said, 'This year much attention has been paid to a careful allocation of priority to each programme. This has resulted in most programmes being rated as either A (high), B (medium) or C (low) priority. The combined rating and order of priority is shown in the schedules to the Ordinance in the column header 'Priority Rating'. The programmes for Diocesan Services, Commitments and Obligations, being non-discretionary items, were not rated as they simply had to be paid for like any household budget.

The principles behind this form of ordinance were set out in the preamble which defined the mission of the Diocese as finding its basic expression through the constituent parishes and after making provision for diocesan services, commitments and obligations gave priority to programmes and organisations 'which most effectively strengthen parish life and ministry'. After that, priority was given to programmes which by their nature, could not be done by parishes acting alone, such as media, welfare and chaplaincies. As mentioned, assignment of specific amounts was done by a balloting system to remove conflicts of interest.

### **MODEL THREE: 1997 ONWARDS**

One important change that took place at that time was the move to three year funding. This was to give recipients certainty in the planning. Two other changes were adopted during this time, one was the phasing out of parish taxation, the other was designating direct parish costs as different from Synod appropriations and transferred to the *Parochial Cost Recoveries Ordinance*. After the adoption of the Diocesan Mission in 2002 there was a more specific identification of expenditure items as 'Mission Related', but the broad structure of the ordinance remained as it was during the Goodhew administration.

By taking these three models as examples of how appropriations were made in the past and comparing them with the proposed structure in the draft statement, members of the Diocese will be able to consider the relative merits of each with a view to considering what approach is suitable for the circumstances we are likely to find

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<sup>20</sup> The explanatory report began:

The unthinkable has happened – it is 17 years since there was any substantial fall in annual distributions from the DE, but there was a levelling out in income during 1990 and a serious downturn may be ahead over the next few years ... The overall consequences is a reduction of \$1.16 million in the amount available for distribution by Synod in 1992.

Sound familiar? On the economic downturn, the report said, 'We were warned, but many of us thought it would never happen. It may in fact be our policy of heavy investment in property which has contributed to our present position. The matter of a more balanced investment portfolio is under review by our CEO, Mr David Fairfull'. Actually it wasn't so much how the money was raised but how it was spent that was the real problem'.

ourselves in the future. A basic illustration of the structure of each is set out as an attachment to this paper, as well as a sheet to note down principles and ordinance outline that Synod members might propose to the Strategy Committee, as requested.

## **7. Conclusion**

It will be no surprise that I am less than enthusiastic about the proposals in the draft statement. In my view they conjure up a concept called 'Anglican essentials' as a basis for taxing parishes when such an approach is unnecessary. It should be remembered that up until relatively recently parishes were taxed without such a reason being even imagined. While nobody likes paying taxes any fair-minded person would accept that if there are not enough funds available from the DE and other endowments to do what the Synod wants to do, the parishes must pay the difference. The key questions are: how much and for what?

As a way of taking the Synod with them the proposals in the statement are too complex and arbitrary. More to the point, there is no inherent mission strategy explained or implied in the model, just categories of expenditure. How could it be otherwise when 2013 will mark the beginning of a new era under a new archbishop who may want to define his priorities differently? Furthermore, the statement does not explain how the upper limit of expenditure will be arrived at or how priorities will be decided between or within the various categories proposed. In my opinion what the statement seems to be aiming at could be accomplished in a simpler and more transparent way. Further, it asks the Diocese to trust that those at the 'centre' know what they are doing. In my view, a greater direct involvement by Standing Committee would be better. I earnestly hope this proposal will be closely examined and only after full discussion and agreement adopted, because if it is wrong, it could have far reaching consequences and have to be changed yet again.

**Bruce Ballantine-Jones**

11 February 2012

## ATTACHMENT

### OUTLINES OF MODEL ORDINANCES

In making submissions to the Strategy Committee it would be helpful to give consideration to the many elements involved in creating an ordinance. This Attachment sets out various structures that appropriation ordinances have followed in the past or could follow in the future. They are offered in the hope that interested parties may find them helpful as they contemplate making submissions to the Committee, as requested by Synod. Note they are summaries and do not include every variant that took place within each or over the last 30 years.

<b>1990 Income &amp; Expenditure Ordinance</b>	
<b><i>Income:</i></b>	Parish Assessment Trusts and Endowment
<b><i>Total Income:</i></b>	(pooled)
<b><i>Expenditure:</i></b>	Diocesan Services (Synod, Standing Committee, etc) Commitments and Obligations (ACPT, ACA, Long Service Leave, Superannuation, etc) Training for Ministry (MTC etc) Education, Evangelism, Media, Chaplaincies and Social Work Church Related Activities (various interdenominational organisations) Contingencies
<b><i>Total Expenditure:</i></b>	
<b><i>Source:</i></b>	1991 Year Book, p 535-538

<b>1991 Income &amp; Expenditure Ordinance</b>	
<b><i>Income:</i></b>	Assessments Trust Income
<b><i>Total Income:</i></b>	(pooled, though with some items tagged to assessment income)
<b><i>Expenditure:</i></b>	Diocesan Services – Parish Related Diocesan Services – Diocesan Purposes

	Commitments and Obligations – Parish Related Commitments and Obligations – Diocesan Purposes Training for Ministry Parish Based Ministries Parish Support Projects Non Parochial Purposes Church Related Activities Special Grants – Parish Related Special Grants – Diocesan Purposes Contingencies
<b>Total Expenditure:</b>	
<b>Source:</b>	1992 Year Book, p 459, and 491-513

### Appropriations Ordinance 1997

<b>Income:</b>	Parish Ministry and Property Recoveries (based on charges on the parishes which later came to be the PCR Ordinance) Endowments
<b>Total Income:</b>	
<b>Expenditure:</b>	Diocesan Services (Media, ACA, Standing Committee, SDS Services to Synod and Standing Committee) Parish Ministry and Property Costs (Administration of Protocol of Sexual Misconduct, ACPT, Long Service Leave, Superannuation) Training for Ministry (Training of Youth Ministers, MTC, Ordination Training Fund) Extra Diocesan Purposes (ACA, Grants to Other Dioceses, Interdenominational Bodies) Parish or Area Ministry (Regional Councils for Parish Grants, Cross-Cultural Ministries and Growth Areas) Adults and Children Outreach Ministries Parish Support/Central Ministry Organisations (Anglican Counselling, HMS Cross-Cultural Ministries, etc) Special Grants Contingencies
<b>Total Expenditure:</b>	
<b>Source:</b>	1998 Year Book, p 497-528

## Example of Draft Ordinance

<b>Income:</b>	Parish Taxation
<b>Expenditure:</b>	Anglican Essential (Archbishop, Bishops court, Registrar, Synod, ACA) Network Essentials (SDS, PCR type expenses, Parish Risk Management & Safe Ministry Training, Professional Standards and Parish Accounting Standards)
<b>Total:</b>	
<b>Income:</b>	Endowment of the See
<b>Expenditure:</b>	Archbishop's responsibilities (Bishops, Archdeacons, Media, Archives, Ministry Training & Development)
<b>Total:</b>	
<b>Income:</b>	Diocesan Endowment and Other Endowments
<b>Expenditure:</b>	MTC, Youthworks College High Priority Mission Drivers (Year 13, Youth, Children & SRE, Evangelism Ministries and New Churches, Mission Areas, Anglican Education Commission High Priority Mission Support (Research, Media, NSW Council of Churches, Work Outside the Diocese, Contingencies)
<b>Note:</b>	This is my attempt to redraft the draft ordinance in an equivalent structure to the other examples. Readers are referred to the draft statement for the structure as proposed by the Strategy Committee.

## **PRINCIPLES OF APPROPRIATION**

This paper has set out examples of various principles that have guided the process and funding decisions in the past. This page is to give participants of the ACL Conference the opportunity to put down what principles they think should be followed in funds allocations as part of the process of making submissions to the Strategy Committee.

## **HOW AN APPROPRIATION ORDINANCE MIGHT BE STRUCTURED**

This page is to assist participants to construct how they think an appropriation ordinance should be structured in order to express the processes and principles they think the Synod should follow. The template has a section to set out sources of income and a section to set out categories of expenditure. Participants can structure their model any way they like.

### **Income sources**

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### **Total Income**

### **Expenditure (Set out categories of expenditure and any order of priority you wish)**

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### **Total Expenditure**

