

Inter Anglican Budget 2020-25 and Provincial Contributions

Introduction

1. This paper introduces proposed an outline budget structure and formula for provincial contributions for 2020-25. The principle is intended to allow both the ACO and provinces to plan forward with confidence. The proposals are recommended by Standing Committee.

Inter Anglican Budget

2. The Inter Anglican budget covers the costs of the ACO in its work supporting the Instruments of Communion and the key work streams that follow from decisions of the Instruments. For convenience, in this paper the Inter Anglican Budget is referred to as the ACC budget.
3. For budgeting purposes it is important to recognise the differences between various categories of funds:
 - Unrestricted funds: typically income received from provinces and some other sources which can be used to fund general ACO expenditure including servicing the Instruments of Communion.
 - Restricted funds: funds received for a specific purpose which can only be used in line with an application made for funding and/or a restriction imposed by a funder; eg Theological Education in the Anglican Communion funded by the St Augustine's Foundation.
 - Designated funds: unrestricted funds which have been earmarked for a specific purpose by trustees and which can be utilised to fund that specific purpose or undesignated if necessary; the only significant example of such designated funds is the annual budget contribution towards forthcoming ACC meetings.

Budgeting Principles

4. ACC holds limited reserves as working capital, though because of a large pension deficit the funds held are typically offset by a paper liability leaving net unrestricted funds of approximately £250k.
5. ACC should seek to budget for a minimum surplus of 2% per annum averaged over the six year period in order to ensure the maintenance in real terms of ACC reserves and the build up of reserves to be used to cover potential income downturns.

Expenditure

6. ACC unrestricted expenditure is primarily for the meetings and work of the various Instruments of Communion. The expenditure budget covers:
 - The costs of running the ACO, including the Secretary General's office, including all staffing, travel and operational costs.
 - The costs of running ACO programmes including mission, gender and ecumenical dialogue programmes and UN representation.
 - The costs of operating Standing Committee; assumed to be one face to face meeting each year (including meetings around the ACC every third year).

- The costs of operating Primates' Meetings; assumed to be every one or two years.
 - The costs of operating ACC meetings every three years.
7. There is limited operational flexibility in the ACC expenditure budget: the main expenditure components being: salaries (62%), travel and other staff operational costs (13%), office costs (14%), directly servicing the instruments of communion (11%).
 8. The ACC unrestricted expenditure budget in 2019 is £1,769k. Given the consistent excess of ambition over resources, it is proposed to plan for a year-on-year increase in unrestricted expenditure. For the 2020-25 period it is planned to seek an increase of unrestricted funds of at least 5% per annum in excess of UK inflation.
 9. If UK inflation is 2.5% per annum ACC unrestricted budget expenditure will increase on the following schedule:
 - 2020: £1,902k
 - 2021: £2,044k
 - 2022: £2,198k
 - 2023: £2,363k
 - 2024: £2,540k
 - 2025: £2,730k

Income

10. ACC unrestricted income comes primarily from Provincial Contributions. In 2019 provincial contributions are budgeted at £1,390k out of total ACC unrestricted income of £1,893k. Provincial contributions are therefore to be 73% of all unrestricted income. Other budgeted sources of unrestricted income are Compass Rose donations (21%), other income (6%). These figures were broadly similar to 2016-2018.
11. This paper commits the ACO to proactive fundraising to maximise income for unrestricted funds (from the Compass Rose Society and others). It is recognised, however, that most external funders are more likely to provide support for restricted activity rather than core costs.
12. As indicated above target unrestricted income for each year should be a 2% surplus above the expenditure budgets indicated in paragraph 9 above.
 - 2020: £1,940k
 - 2021: £2,085k
 - 2022: £2,242k
 - 2023: £2,410k
 - 2024: £2,591k
 - 2025: £2,785k

Provincial Contributions

13. The authority for requesting contributions to the Inter Anglican Budget comes from ACC resolutions, most recently Resolution 16:6.4:

The ACC reaffirms Resolutions 10.27 and 15.22 and calls upon all provinces of the Anglican Communion to contribute financially to the budget of the Anglican Consultative Council.

14. This aspiration has also been endorsed by Primates, most recently at the Primates' Meeting in Canterbury in October 2017

We agreed the importance of all Provinces contributing to the operational costs of supporting the communion, but according to each province's capacity and potential to contribute.

15. ACC and Standing Committee meetings have repeatedly recognised that provincial contribution arrangements are highly unsatisfactory.

Current arrangements

16. The Contributions made by provinces in 2018 are attached as Appendix 1. The budget is critically reliant on a small number of major contributing provinces.

41.4%	Church of England
21.9%	The Episcopal Church
8.0%	Australia
4.4%	Aotearoa, NZ & Polynesia
4.4%	Canada
3.4%	Wales
3.1%	Ireland
3.0%	Hong Kong
2.4%	Scotland
2.1%	Japan

17. Aggregated the top two provinces contributed 63.3% of the funds received; the top five provinces contributed 80.0%; the top 10 provinces contributed 93.9%.
18. Despite the encouragement of ACC and Standing Committee and a much improved regime of funding requests from the ACO, several Provinces make contributions substantially below the sum requested and 16 provinces made no contribution at all in 2018. The number of non-contributing provinces has been similar in recent years (15 in 2017, 17 in 2016 16 in 2015). Generally the same provinces have been non-contributors in these recent years.
19. However loosely defined, the principle of 'membership' applies within the Anglican Communion. It is unsatisfactory that around one third of provinces repeatedly fail to make a financial contribution. Non-contributing provinces typically make no response at all to the request for a funding contribution.

Current Provincial Contributions

20. The current basis on which provincial contributions are requested is history plus inflation. For those provinces with unsatisfactory contribution records annual requests are made largely without regard for the actual contribution records of those provinces.
21. The lack of a formula to calculate potential provincial contributions results in their being no legitimate justification for the contributions requested and an absence of both fairness and authority for these requests.
22. There is discontent from some provinces either represented through expressions of frustration or confusion over contribution arrangements, or through lower than requested contributions. There is limited dialogue with provinces about their financial contribution and minimal relationship and accountability around the impact of the contributions made by each province.

Possible formula components

23. Continuing to base contribution requests on historic contributions will not fully address the issues with the current arrangements because it has no rationale or transparency. However, it may have a role to play, at least in transition.
24. The key components of any formula are likely to be a measure of provincial size and a measure of provincial financial strength.
25. The number of Anglicans in a province could be a reasonable proxy for the province's ability to contribute, subject to adjustment for income in the province. However, member numbers are not known with a satisfactory degree of accuracy or meaning. Member numbers in provinces are not regularly updated to the ACC and are not subject to a uniform definition.
26. Adjustment by GDP per head provides an economic adjustment to the economic circumstances of the country or countries in which the province is based. However, it will always have shortcomings as an adjustment to reflect the ability of the province to contribute as it deals with overall national economic strength rather than the financial position of Anglican churches.

Proposed formula

27. There is a fundamental problem with both provincial size and provincial financial strength being determined by the ACO or any other central body, as this present external imposition which could be subject to dispute at a provincial level.
28. The following principles are recommended:
- That all provinces have a responsibility to contribute.
 - That contributions should be based on a province's size and financial circumstances.
 - That a province's size and financial circumstances should be self-determined.
 - That provincial buy-in to the principle of contribution and to the fairness of the model is vital if the number of provinces contributing is to be increased.
29. The following formula is recommended:
- The number of active bishops in a Provinces House of Bishops is a reasonable proxy for the size of a province: this would give a direct relationship between a province's Episcopal density and growth and its contribution.
 - What a province pays its Bishops is a reasonable proxy for financial strength: this would give a direct relationship between a province's ability to pay its bishops and its contribution; it is recommended that full employment and housing costs are considered.
 - Provincial contributions would be set as 10% of average bishop stipend.
 - The formula would automatically adjust for growth in numbers and financial strength.
 - The formula would also automatically adjust for inflation in each provincial jurisdiction, though not for exchange rate movement.
30. Summarised the formula would be:

$$\text{Number of bishops} \times \text{average Episcopal salary} \times 10\%$$

Transition arrangements

31. A funding model has been developed based on the number of active bishops by province and on the best guess available of Episcopal salaries. This model suggests that total income might increase by 20-40% if the proposed formula was applied and if half of the current non-contributing provinces started to make regular annual contributions.
32. It is recommended that approval by ACC17 (and endorsement by the Primates' Meeting in January 2020) is followed by a three year implementation period. During this period the ACO would liaise and negotiate with Provinces about transition arrangements to enable the new formula to be fully implemented no later than 2023. Relationships between the ACO and Primates/Provincial Secretaries would be particularly important during this transition period and ongoing thereafter.
33. It is suggested that this is particularly relevant for provinces whose contribution would increase and where a single increase would be unreasonable.
34. Where contributions would reduce it is proposed that the ACO would negotiate with the province involved with the aim of securing contributions maintained at the current level, most probably through seeking the sum beyond the proposed contribution being restricted for specific purposes of particular interest to the province involved.

Consequences for Provinces not contributing to the ACC Budget

35. Standing Committee has regularly discussed the introduction of an operational sanction in the event of a province not contributing to the ACC budget. It is proposed that this could be in the form of non-reimbursement of expenses of representatives of a province who do not make a provincial contribution; ie attendance at ACC or Primates' Meetings would be at own/provincial expense rather than being met from the ACC Budget.

ACO commitments

36. The ACO will invest to endeavour to raise money for unrestricted funds and specific projects from external funders. To this end the ACO will engage in professional fundraising activity to develop streams of additional income from grant making trusts and foundations and major donors.
37. The ACO will operate with financial transparency reporting on its income and expenditure on a regular basis, and on its work.

Recommendations

38. That Standing Committee endorses the principles in this paper including:
- Commitment to an outline budget for 2020-25.
 - Development of unrestricted expenditure at 5% per annum above UK inflation.
 - Implementation of a formula for provincial contributions based on the size of a provincial house of bishops and average Episcopal salaries.
 - A transition period of three years during which contributions would be negotiated between the ACO and provinces.
 - Commitment to active fundraising beyond provincial contributions.
39. That Standing Committee requests detailed consideration by the IAFAC and a proposal to be made to ACC17.

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ANGLICAN CONSULTATIVE COUNCIL
Inter Anglican Budget Contributions

as at 11.4.19

		2014	2015	2016	2017	2018	Total for last 5 years
		Received £	Received £	Received £	Received £	Received £	Received £
Aotearoa New Zealand	Province	53,050	45,597	55,190	56,850	62,921	273,608
Australia	Province	100,000	100,000	100,000	104,030	110,270	514,300
Bangladesh	Province	-	-	1,960	1,030	1,090	4,080
Brazil	Province	4,761	5,030	-	-	-	9,791
Burundi	Province	500	-	-	752	-	1,252
Canada	Province	56,654	51,128	58,339	58,484	60,091	284,696
Central Africa	Province	-	3,416	-	3,902	-	7,318
Central America	Province	2,648	2,715	-	5,608	-	10,971
Chile	Province (2018)	n/a	n/a	n/a	n/a	n/a	n/a
Congo	Province	-	-	-	-	-	-
England	Province	507,687	517,840	525,608	538,690	571,010	2,660,835
Hong Kong	Province	36,260	37,350	37,720	38,850	41,180	191,360
Indian Ocean	Province	-	2,570	5,190	5,350	5,658	18,768
Ireland	Province	39,250	40,430	41,000	42,050	42,683	205,413
Japan	Province	25,960	26,740	27,010	27,820	29,490	137,020
Jerusalem & Middle East	Province	7,210	7,430	7,500	-	15,920	38,060
Kenya	Province	2,100	2,100	2,100	2,100	2,800	11,200
Korea	Province	-	-	826	1,030	7,950	9,806
Melanesia	Province	2,660	2,740	2,770	2,850	3,020	14,040
Mexico	Province	-	5,284	2,770	3,031	-	11,085
Myanmar	Province	4,990	637	5,190	1,000	1,584	13,401
Nigeria	Province	-	-	-	-	-	-
North India	Province	2,300	-	-	-	-	2,300
Pakistan	Province	-	-	-	-	-	-
Papua New Guinea	Province	-	4,750	2,430	2,500	-	9,680
Philippines	Province	3,179	3,280	2,836	3,394	3,564	16,253
Rwanda	Province	-	-	-	-	-	-
Scotland	Province	28,620	29,480	30,370	31,280	32,500	152,250
South East Asia	Province	7,225	-	7,430	7,430	-	22,085
South India	Province	-	3,170	-	-	-	3,170
South America	Province	4,640	4,640	4,970	5,906	6,142	26,298
Southern Africa	Province	-	18,762	12,466	15,696	29,287	76,211
South Sudan	Province	-	-	2,761	-	860	3,622
Sudan	Province	-	-	-	-	1,474	1,474
Tanzania	Province	-	-	-	-	-	-
Uganda	Province	-	-	-	-	-	-
The Episcopal Church	Province	204,772	221,059	297,103	310,162	249,064	1,282,161
Wales	Province	41,600	42,500	43,300	43,700	46,322	217,422
West Africa	Province	-	-	-	-	-	-
West Indies	Province	19,670	20,260	20,460	21,070	22,330	103,790
Ceylon	Extra-provincial	-	2,350	-	2,440	2,653	7,443
Bermuda	Extra-provincial	-	-	-	-	-	-
Lusitanian Church	Extra-provincial	824	734	891	922	935	4,307
Spanish Episcopal	Extra-provincial	-	-	-	-	1,200	1,200
Total		1,156,561	1,201,992	1,298,191	1,337,927	1,351,998	6,346,669
Contributing		23	27	26	28	26	35
Not contributing		20	16	17	15	17	8