



THE GOVERNING BODY OF THE CHURCH IN WALES

**THE ALLOCATION OF PAROCHIAL FEES
IN THE CHURCH IN WALES**

APRIL 2015

The Allocation of Parochial Fees in the Church in Wales

1. Executive Summary

- 1.1 The Governing Body is asked to approve in principle a change to the way in which fees arising from occasional offices in the Church in Wales are allocated. It is proposed by the Representative Body that, from 2018, stipendiary clergy will be invited to voluntarily surrender individual fee income arising from weddings, funerals and burials so that that income might be used by the dioceses to help support ministry. Parochial fee income which would normally be paid to the Parochial Church Council would be unaffected by this proposal, and would continue to be paid to the PCC.
- 1.2 In return for surrendering their fee income, stipendiary clergy would receive a fee allowance in addition to stipend. Serving stipendiary clergy who decide not to sign up to the new arrangements could retain parochial fee income until retirement or on taking up a new appointment. It is intended that new appointments – whether serving clergy moving, new clergy being placed after ordination, or clergy moving to the Church in Wales from another Province – would be made under the new arrangements.
- 1.3 Other types of minister – Non-stipendiary clergy, retired clergy and licensed lay ministers – would continue to be eligible to receive fees for services at which they had officiated, subject to the diocesan policy in each case.
- 1.4 A summary of the core proposal and proposed arrangements may be found in Annex I to this report.
- 1.5 This proposal has already been subject to consultation with clergy, the Bench of Bishops and Diocesan Boards of Finance. Should the Governing Body provide its “in principle” agreement to the proposal, it will be necessary to undertake further discussions with the dioceses to ensure that final detailed arrangements are workable and affordable for dioceses. These changes may only be made by the Governing Body via Bill, and so there would be time between the first “in principle” decision (at this meeting) and the preparation of a Bill for these detailed conversations to take place.
- 1.6 It is the intention of the Representative Body that any new arrangements should be fair and workable for clergy, and workable and affordable for dioceses and the wider Church in Wales.

2. Parochial Fees Review

- 2.1 In 2012 the Representative Body established a working group to review arrangements for parochial fees in the Church in Wales. The terms of reference and membership of the working group may be found in Annex 2. The working group comprises members from all dioceses, and a mix of clergy and lay members (including a funeral director). The working group has undertaken its task in two stages: first, the parochial fees structure and the level of fees; and second, the way in which fee income is allocated.

- 2.2 The review on a new parochial fees structure and fee levels reported in June 2014, and was adopted by the Representative Body for introduction on 1 February 2015.
- 2.3 This report forms part of the second stage of the review – on the allocation of fee income – on which the Representative Body consulted clergy during the autumn of 2014.
- 2.4 Consultation of clergy has formed an integral part of the overall review, with clergy being asked for their views on a number of occasions during the development of the two proposals. The Bench of Bishops and Diocesan Boards of Finance have also been kept informed and consulted on developments.

3. The Working Group's Objectives and Key Principles

- 3.1 The Parochial Fees Working Group set itself the following objectives for its work:
- A more equitable share of opportunity and income for clergy;
 - Compatibility with (but by no means necessarily the duplication of) arrangements in the Church of England;
 - An increased level of public appreciation of the value of the services provided by the Church in Wales within each community in areas such as marriages and burials;
 - Acceptance of all (or most) clergy, Church members and the public without contentious debate.
- 3.2 The Working Group agreed also that its proposals should be measured against the following principles. Any new arrangements should be:
- Theologically coherent;
 - Justifiable;
 - Equitable;
 - Consistent;
 - Inclusive;
 - Affordable/value for money;
 - Transparent and understandable by all;
 - Reflective of good practice (in relation to clergy).

4. Why Review Arrangements for the Allocation of Fees?

- 4.1 In 2004 The Representative Body's own review of expenditure and other commitments recommended that arrangements for the allocation of parochial fee income should be subject to review. That report noted with concern that present arrangements were leading to significant variations in the level of clergy income across Wales. However, this recommendation was not taken forward at the time, as resources were focussed instead on the pressing need to ensure that the terms and conditions of service of clergy were clarified and new arrangements put in place (*Common Tenure*).

- 4.2 The Representative Body returned to the subject in 2012, with its major concern the inequality of clergy income created by the current system. Having set up a working group to undertake a full review of parochial fees, the Representative Body's attention was also drawn to a recommendation of the more recent Church in Wales Review, which made the following recommendation on the same subject in its report of June 2012:

Recommendation XLII

- 1) *Fees for occasional offices should be paid into church accounts and go towards the cost of the Share in the Ministry Area.*
- 2) *Clergy stipends should be recalibrated to ensure that they are comparable to that of neighbouring Anglican churches.*

- 4.3 This recommendation was based upon the Review Group's stated belief that: "Taking such services is one of the privileges of ministry which the priest will be glad to undertake anyway, and for which the church pays him or her a stipend".
- 4.4 Whilst the Review Group's report was published after the Working Group had started its work, this recommendation, and the reasoning behind it, was taken fully into account by the Working Group in undertaking its work.

5. General Principle and Principal Area of Concern

General Principle

- 5.1 There is no doubt that a variety of views exists within the Church in Wales on the merits of the current system, in which fees are paid to both the parish (PCC) and individual clergy for weddings, funerals and burials. The Working Group took some considerable time to talk through the issues involved in considering what its guiding principle should be in determining the way in which fee income should be distributed.
- 5.2 Its general conclusion was the same as that reached by the Church in Wales Review Group in 2012: that occasional offices such as weddings and funerals are an integral part of a parish priest's ministry, for which no fee should be retained by the cleric in addition to the stipend. Members considered the question "What does it say about our attitude as a Church to the major events of community life – marriages, funerals – and our claims for the parish system if we appear to regard occasional offices as extras?"
- 5.3 In common with the Representative Body in its earlier discussions, the Working Group was also concerned about the significant inequality of income among clergy created under the current arrangement.
- 5.4 As the bodies responsible for meeting the cost of clergy stipends, it is felt that the "ministry" fee for occasional offices – that is, a payment to the Church for the minister's time – should in future be paid to the dioceses.

- 5.5 The Working Group limited its consideration to the minister's part of marriage, funeral and burial fees. There are no proposals to change arrangements for the payment of fees to Parochial Church Councils, not least because of the vital role burial fees play in funding maintenance to churchyards.

Concerns

- 5.6 However, the Working Group has acknowledged that this view about occasional offices is not held by all clergy; indeed, the recent consultation suggested that the more occasional offices taken, the more likely a cleric is to consider this particular ministry to be in addition to his or her normal parochial ministry. There appears to be a similar correlation (for the same reason) between this view and clergy ministering in largely urban parishes. It is also recognised that clergy have a long-standing expectation of retaining fees as additional income for personal and family use.
- 5.7 There is a concern that, in areas where there are a large number of occasional offices (particularly funerals), the withdrawal of parochial fee income from individual clergy might make it more difficult for funeral directors and others to find Church in Wales ministers to officiate at services for non-Church members, thus undermining the Church's parish ministry and depriving the Church of important pastoral opportunities. Anecdotal evidence from dioceses in the Church of England (where fee income is paid to dioceses already) suggests that one consequence of such a change might be that a greater proportion of services is taken by retired clergy and non-stipendiary ministers, although it is too early to draw firm conclusions.
- 5.8 The Working Group has also been careful to ensure that its proposals do not inadvertently cut across diocesan strategies arising from *2020 Vision*, and in particular the creation of Ministry Areas served by ministry teams.

6. Aspects of the Review

- 6.1 In undertaking this review the Working Group has considered a wide range of issues.

Entitlement of Clergy to Fees

- 6.2 The Working Group has sought legal advice on the entitlement of clergy to fees. Whilst the basis for such an entitlement in law is far from clear, it is accepted for the purposes of this review that there may be sufficient evidence of a payment based on custom and practice to be contractual and thus any changes may be challengeable if not handled correctly. Regardless of the legal position, it is envisaged that the Church would want to deal with clergy on a fair and open basis in any case.
- 6.3 It is proposed that any changes to clergy entitlement to individual fee income should be subject to the same process as for any other contractual change to terms and conditions of service, as set out in Common Tenure and best employment practice. Consequently, it will be necessary to consult clergy formally on any proposed changes, and give clergy an opportunity to influence the form of any final proposals.

6.4 It is also proposed that any new arrangements be made voluntary for serving clergy whilst they remain in their current posts (at the time that new arrangements are introduced). New appointments – those entering the Church in Wales from another Province, those entering ministry in the Church in Wales via ordination, and serving clergy who move to a new office after the date of implementation – will be made on the new arrangements. The term “new appointment” will be tightly defined through further work with the Bench of Bishops to ensure that this provision does not create an insurmountable financial disincentive for serving clergy to participate in the formation of new ministry teams to serve Ministry Areas.

Motivation

- 6.5 The Working Group has considered a number of possible options to replace the current parochial fee arrangements. In doing so, the motivation has been to find a new model which:
- Is consistent with the Working Group’s conclusion in principle about the payment of fees to stipendiary clergy, and theologically coherent;
 - Equalises clergy income without creating financial hardship for clergy and their families;
 - Is demonstrably fair and reasonable;
 - Is affordable for dioceses and the wider Church;
 - Is workable, and takes into account the important role played by ministers other than serving stipendiary clergy in leading occasional offices;
 - Is simple to explain, and uncomplicated to administer;
 - Takes into account that this is a contentious subject amongst clergy at a time of great change in many other areas of Church life.

The Fee Allowance

- 6.6 During August and September 2012 the Working Group consulted all incumbents and priests-in-charge to ask for their initial views on arrangements for parochial fees in the Church in Wales. 414 clergy were surveyed, and 141 responded.
- 6.7 It was evident from a significant number of the comments received that clergy were particularly concerned about the financial impact that any change to current fee arrangements might have upon them and upon their families. This response strengthened the Working Group’s initial conviction that any proposals for change that might emerge from its work should be accompanied by reasonable provisions to mitigate the financial effect on clergy. Any compensatory payment would be paid only to those categories of clergy which are eligible to receive fees currently, and so would not be made to dignitaries.
- 6.8 The Working Group has considered a number of factors in setting the level of the fee allowance: the current level of individual clergy income from parochial fees; the question of affordability by dioceses, the Representative Body and the wider Church; comparisons with remuneration levels in the Church of England. The objective here has been to achieve a provision which is fair to clergy but affordable by the Church.

Current Level of Parochial Fee Income

- 6.9 Whilst the Church in Wales holds comprehensive records of the number of occasional offices that take place annually in each parish (gathered via the annual Membership and Finance return), it is more difficult to ascertain actual levels of clergy fee income. One such difficulty in obtaining a clear picture arises from differences in practice across the Church on whether the incumbent receives all fees (which was the traditional practice) or shares them with other officiating ministers in the parish.
- 6.10 The best estimates – prepared on the basis of 2012 Membership and Finance returns matched against the number of clergy serving in each parish – suggest individual fee income is relatively low for a significant proportion of clergy. Most clergy will earn less than £2,000 per annum from parochial fees, with a high proportion of those earning less than £1,500. However, a small proportion will earn very much more than that. The conclusion of the Working Group was that, whilst it would not be affordable to peg the fee allowance at a level that would ensure that no cleric would lose out financially by signing up to the new arrangements, it would be possible to provide an allowance that would provide adequate recompense for the majority of clergy.

Affordability

- 6.11 In considering the question of affordability, the Working Group has reviewed in detail the net effect for dioceses of the compensation package, with particular reference to:
- The likely fee income which would be received by each diocese (using the proposed fee levels for 2015, and the most recent Membership return at that time (2012));
 - The numbers of stipendiary clergy in each diocese who would be eligible to receive a compensatory payment;
 - The effect of an increased proportion of occasional offices being taken by ministers other than stipendiary clergy;
 - The rate at which those ministers should be paid (thus reducing the potential fee income of dioceses);
 - The possibility that some clergy, in particular those with a large income from fees currently, may not sign up to the new arrangements;
 - Any knock-on effect on the overall pension liability, and thus the costs of the Representative Body.
- 6.12 These complex calculations have also been shared with Diocesan Secretaries as part of an ongoing conversation with dioceses about the affordability and workability of the proposed new arrangements (see sections 6.29, 6.30 and 7.2). At the moment it is felt that the proposed new arrangements are affordable to dioceses, although some dioceses have expressed concerns about short-term affordability.
- 6.13 In addition, there has been considerable consideration given to the question of whether or not any compensation should be pensionable. On the one hand, this would not be a logical development given that parochial fee income is not currently pensionable (although clergy may of course decide to use that income to make additional pension provision). On the other hand, there is no doubt that such a provision would make the “compensation package” significantly more attractive to clergy.

- 6.14 One potential complication has been the link between pension accrued before 2006 and stipend levels. Pensions-in-payment for service before 2006 increase in line with stipend increases. Consequently, should clergy stipends be increased (generally, or for certain categories of clergy) to compensate them for the loss of future fee income, part or all of pensions-in-payment for many clergy pensioners would also increase by the same proportion. Clergy pensioners deserve a good standard of living but, having had the opportunity to receive fees for the whole of their ministry (and indeed to continue to receive fees in the future as retired clergy who will be unaffected by the proposed changes), it is the view of the Working Group that they should not receive a windfall because of the introduction of new fee arrangements for the future. However, this factor has meant that it has been necessary for the Working Group to seek further legal advice and to consider a number of alternative options.
- 6.15 It has also been necessary to take into consideration the financial implications for the introduction of a new pensionable allowance, both for dioceses (which have recently been required to increase their contribution to current service pension costs by £500,000 per annum) and the Representative Body (which is required to set aside a proportion of both income and capital each year to ensure that the past service pension liability can be met).
- 6.16 The Working Group's conclusion was that there was no justification for the creation of a pensionable allowance in lieu of fees, particularly when set against the considerable financial costs of such an arrangement.

Comparisons with the Church of England

- 6.17 It is sensible to consider comparisons with remuneration levels of clergy in the Church of England for two reasons. First, parish ministry in the Church of England (including its statutory obligations in relation to burials and marriages) offers probably the closest parallel to parish ministry in the Church in Wales. Secondly, parochial fee income for occasional office ministry is now paid to dioceses in the Church of England. Over the period in which this change has been made (some 30 years), there has been a divergence in stipend levels between the Church of England and the Church in Wales. The higher stipends paid in England (and there are variations here between dioceses) have traditionally been explained by the fact that clergy in the Church in Wales keep parochial fee income.
- 6.18 In making such a comparison it is important to recognise one significant current difference between the two churches in the way in which pension is calculated. Both offer final salary-based pension schemes. However, in England the pension is based on the National Minimum Stipend, which is lower than the actual stipend levels paid by English dioceses (an average of which is called the National Stipend Benchmark). In Wales, dioceses tend to pay stipend at a standard rate (the "minimum stipend" set down in the Constitution) for each pensionable office. There is a precedent, therefore, for clergy being paid a non-pensionable amount in lieu of fees.
- 6.19 It is recognised that there are other differences between the "remuneration packages" of the two Churches, not least in the generosity of the pension provision (which is shaded by the Church in Wales).

Conclusion on the Fee Allowance

6.20 Taking into consideration stipend levels paid by English dioceses adjoining the Welsh border, affordability and estimates of current fee income levels, it was felt that a fee allowance of £1,600 (at 2014 stipend levels) paid in addition to stipend would be an appropriate compensation for Church in Wales clergy should parochial fee income be withdrawn from individual clergy.

Fees for Retired Clergy, Non-Stipendiary Clergy and Lay Ministers

- 6.21 On the basis of the Working Group's general principle about the payment of fees for officiating at occasional offices (as set out in section 5, above), it is felt to be appropriate for ministers other than stipendiary clergy to receive parochial fees, subject to any diocesan policies on this matter.
- 6.22 Taking into account the possibility that a higher proportion of occasional offices may in future be taken by such ministers (as suggested by the experience of the Church of England, see section 5.7), and the need to ensure that dioceses receive sufficient fee income to be able to pay the fee allowance to stipendiary clergy, the Working Group had originally proposed that 75% of the normal ministry fee should be paid to the officiating minister in such circumstances, with 25% retained by the diocese to help meet ministry costs. This figure lay within the range paid to such ministers by Church of England dioceses and, with recent increases to the level of fees, would not mean that such ministers would be out-of-pocket.
- 6.23 However, this aspect of the proposals was the subject of particular criticism from clergy during the 2014 consultation, not least because of the message it may give other ministers about the value the Church attaches to their respective forms of ministry. This was felt to be a special concern during a period in which the Church in Wales is seeking to develop and deploy more widely other types of ministry.
- 6.24 The Working Group was sympathetic to the concerns of clergy on this point, and has reviewed its financial projections on the basis of increasing the proportion of fee to be paid to such ministers. Having reviewed those financial projections, the Working Group has changed the proposal so that the full minister's fee would be paid to Non-stipendiary and retired clergy, and to lay ministers (subject to the policy on the payment of fees to Non-stipendiary Ministers and Readers in each Diocese).
- 6.25 As this aspect of the proposals holds implications for the affordability and workability of the new arrangements, subject to an "in principle" agreement from the Governing Body further discussions on this provision will be held with the Bench of Bishops and Diocesan Boards of Finance before a Bill is prepared to ensure that, with payment of a 100% fee, the proposals are still financially viable.

Phasing

- 6.26 One of the Working Group's key concerns about this area of its review was the immediate financial impact on serving clergy of the withdrawal of individual fee income, and throughout the review it has sought ways in which this impact might be mitigated. One idea, which emerged from a discussion with the Bench of Bishops, was that the proposed changes could be phased in over a period of five years to provide time for clergy (and dioceses) to prepare for new financial circumstances.
- 6.27 However, in view of the protections given in the final proposals to serving clergy, it has been suggested by clergy during the consultation exercise that the "phasing in" period is unnecessary and would add unhelpful complexity to the new arrangements. Even those clergy who were against the proposals expressed a preference for any new model to be introduced without phasing. The Working Group revisited this provision and (again, consulting financial projections) was content that the withdrawal of the proposed "phasing-in" period would not create financial difficulties either for clergy or dioceses.
- 6.28 It is now recommended that, subject to the passing of the requisite Bill by the Governing Body, the date on which the new arrangements come into force should be 2018.

Financial and Administrative Arrangements

- 6.29 The Working group recognises that the administrative arrangements for the transfer of fee income to dioceses will require further consideration with dioceses themselves. In view of significant variation among dioceses in their respective administrative capacities and in the number of occasional offices held in each diocese, it may be that difference arrangements will ultimately be required in each diocese.
- 6.30 It will also be necessary to hold further discussions with the Bench of Bishops and Diocesan Boards of Finance to ensure that issues of affordability in the short term are dealt with to the satisfaction of all parties.

Consultation

- 6.31 In October 2014 all serving clergy were consulted on a draft proposal. 193 written responses were received. In addition, 95 clergy attended diocesan consultation meetings in total.
- 6.32 In answer to the question: *Do you agree with the general principle for the allocation of fees arising from occasional offices, as set out in this report?* 110 clergy answered yes, and 73 no.
- 6.33 In response to the question: *Do you think that the proposed new arrangements as set out in [this report] are fair to clergy?* 98 clergy answered yes, and 76 no.
- 6.34 As outlined above, the Working Group revised aspects of the proposal in the light of comments received. However, the Working Group felt that there was sufficient support for the general principle and outline working arrangements to be considered by the wider Church in Wales via the Governing Body.

7. For Decision Now and for Further Discussion

- 7.1 The Representative Body has thanked the Working Group for its detailed work in this area, and asks the Governing Body to consider in principle the core proposal for the allocation of parochial fee income, and proposed working arrangements, as set out in Annex I to this report.
- 7.2 Subject to the agreement of the Governing Body, it is proposed that the Representative Body hold further discussions with the Bench of Bishops and Diocesan Boards of Finance to ensure that the final administrative and financial arrangements are mutually satisfactory.
- 7.3 In the light of these discussions a Bill will then be prepared by the Representative Body and, with the agreement of the Standing Committee, published to members for debate and decision.

The Representative Body
April 2015

**Arrangements for the Allocation of Fee Income
Arising from Occasional Offices in the Church in Wales
The Core Principle and Proposed Working Arrangements**

Core Principle

It is proposed by the Representative Body:

- That individual fee income from occasional offices be transferred from stipendiary clergy to dioceses to support the cost of providing ministry. Fee income currently payable to Parochial Church Councils will not be affected by this proposal.
- Clergy who voluntarily surrender their fee income will receive *in lieu* of fees a non-pensionable allowance in addition to stipend of £1,600 per annum (at 2014 prices, increasing each year in line with stipends).
- Ministers who are not stipendiary clergy will be eligible to receive a fee to conduct occasional offices.

Proposed Working Arrangements

It is proposed that:

- From the date of implementation all stipendiary clergy appointments – both new appointments and appointments of serving stipendiary clergy moving to new positions – will be made under the new arrangements. Before final proposals are brought forward for decision discussions will be held with the Bench of Bishops to ensure that the proposals do not create an obstacle to the development of ministry teams to serve Ministry Areas.
- Serving clergy will be given the option over whether or not to opt in to the new arrangements and surrender their fee income. Clergy who do not opt in would retain fee income.
- There would be an opportunity each year for clergy to opt in to the new arrangements should they wish to do so.
- Ministers who are not stipendiary clergy will receive the full minister's fee for officiating at occasional offices, subject to any Diocesan policies on the payment of fees to such ministers and further discussion with the Bench of Bishops and Diocesan Boards of Finance.
- These new arrangements will be implemented on 1 January 2018.

Membership and Terms of Reference of Parochial Fees Working Group

Membership

Mr Sandy Blair – Chair (Monmouth);
Mr Paul Bennett (Llandaff);
The Venerable Paul Davies (Bangor);
The Venerable Robert Griffiths (St Asaph);
The Reverend Dr Helen Hall (Monmouth);
The Reverend Canon Steven Kirk (Llandaff);
Mr Paul Murray (Swansea and Brecon);
Mrs Jenny Turner (Monmouth);
The Venerable Dennis Wight (St Davids).

Terms of Reference

1. *To review all aspects of the treatment of parochial fees by the Church in Wales including the following issues:*
 - (i) *whether any charges should be made to the categories of fees and the items for which they are charged;*
 - (ii) *whether any changes should be made to the present arrangements whereby fees are payable to parishes and clergy;*
 - (iii) *the level of fees;*
 - (iv) *whether changes should be proposed to the processes by which fees are set.*
2. *To report to the Representative Body with recommendations by March 2013.*



Produced by the Church in Wales Publications Department and printed on recycled materials

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April 2015