

**GS Misc 1311**

**The 49<sup>th</sup> Report  
of the  
Central Stipends Authority**

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## Section 1: Executive Summary

1. This report is the annual report on the work of the Archbishops' Council as Central Stipends Authority (CSA). It covers the role and functions of the CSA, the principles adopted for stipend setting, stipend recommendations and levels for 2021/22 and recommendations for 2022/23.
2. The table below summaries the levels of the key stipend benchmarks in 2021/22 and 2022/23.

	2021/22 (£)	2022/23 (£)
National Minimum Stipend (NMS)	25,265	25,518
National Stipend Benchmark (NSB)	27,000	27,270
National Average Stipend (NAS)	27,420	-

3. **For 2021/22** the CSA recommended a **nil increase in the NMS and NSB**. This was in the light of the financial challenges posed by the COVID-19 pandemic. (See section 4 for more detail on stipend recommendations for 2021/22)
4. Dioceses were however free to adopt a higher increase in their Diocesan Basic Stipends (DBS). The DBS for each diocese is set out in the table in paragraph 51.
5. The nil increase was also applied to other stipends for senior clergy in 2021/22 including Bishops, Cathedral Deans, and Archdeacons. More detail about the stipends for senior clergy in 2021/22 can be found in paragraphs 29 and 40 to 41.
6. For **2022/23** the CSA has recommended a **1% increase in both the NMS and the NSB**. The CSA are aware that inflation predictions (as of late 2021) are now higher and will remind dioceses of their flexibility to adopt an increase in their Diocesan Basic Stipend that is greater than that applied to the stipend benchmarks if they wish to do so, subject to financial considerations.
7. During 2021 the CSA completed a review of clergy remuneration. The report will be discussed by General Synod in February 2022. Further detail about the report of the review can be found in paragraphs 13 to 15).
8. One of the key recommendations of the review was that in future there should be a commitment to increase the NMS by not more than the Consumer Price Index including Owner Occupied Housing (CPIH). The review also suggested a commitment to there being no further erosion in the value of the clergy remuneration package. This is set out in paragraphs 48-49.
9. The review sought to establish an approach for estimating the value of the total clergy remuneration package. This is set out in section 5 along with a summary of the component elements of the package. More detail is provided in annex 1.
10. Section 3 sets out further detail on the total cost of and funding of stipends for 2021/22.

## Section 2: The role and functions of the Central Stipends Authority (CSA)

11. Under the CSA Regulation (1998), the Archbishops' Council as Central Stipends Authority is required to submit an annual report on its work to the General Synod. These functions are largely carried out by the Council's Remuneration and Conditions of Service Committee (RACSC).
12. The CSA works in partnership with dioceses and the Church Commissioners to carry out its functions. These are to: 'keep under review and recommend appropriate levels for the stipends of diocesan and suffragan bishops, deans, residentiary canons and archdeacons; establish and publish recommended forms and levels of pay for clergy, deaconesses and licensed lay workers'.<sup>1</sup>
13. At the request of the House of Clergy, RACSC carried out a review of clergy remuneration. The review commenced in January 2020 and reported in July 2021. The review is due to be discussed by General Synod in February 2022. The final report can be accessed by [clicking here](#).
14. The remuneration review concluded that the primary considerations when assessing clergy terms and conditions (including remuneration) should be that:
  - they enable clergy to flourish in their ministry without undue financial anxiety or hardship;
  - are appropriate for the requirements of the particular role;
  - support the Church's mission and strategic aims;
  - are affordable and sustainable in the long term.
15. In many ways, the current remuneration package of stipend, pension and housing is particularly appropriate for what parochial clergy office holders are called to do. Part of what is distinctive about parish clergy office holders is that they are members of their communities and generally live among those to whom they minister. This suggests that clergy should be paid at a level that gives them a standard of living that is between poverty and affluence, and that does not get in the way of them being "all things to all people".
16. Each year the CSA sets the following:
  - a **National Minimum Stipend (NMS)** for all clergy and licensed lay workers.
  - a **National Stipend Benchmark (NSB)** for incumbents and other clergy of incumbent status;
  - recommended stipend levels for archdeacons, bishops and cathedral clergy.
17. The body responsible for paying the stipend (Diocesan Boards of Finance (DBFs), Cathedral Chapters, or the Church Commissioners) determines the stipends of individual clergy in the light of these recommendations.
18. Under Regulation 11 of the Ecclesiastical Offices (Terms of Service) Regulations 2009, no full-time stipendiary officeholder on common tenure should be paid at a rate below the National Minimum Stipend, and all full-time stipendiary office-holders must receive stipend, or stipend together with other income related to their office, of at least the National Minimum Stipend.
19. The National Stipend Benchmark provides a reference point for dioceses when setting their diocesan basic stipend for incumbents and priests in charge. It is a figure that should be reasonably close to the national average stipend.
20. Stipends are set on the basis that accommodation is provided free of rent, water charges, repairs, insurance and Council Tax, and approved parochial expenses are fully reimbursed.

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<sup>1</sup> Central Stipends Authority Regulation 1998 (GS1310)

21. The National Minimum Stipend is also used to set the pension (see paragraph 15) and the pension contribution rate (see paragraph 19).
22. The CSA provides a tool to account for variations in the regional cost of living to assist dioceses in assessing the level of diocesan stipend required for it to have a purchasing power that is reasonable in comparison to those in other dioceses.
23. In addition to its stipend recommendations, the CSA also provides guidance on a range of matters connected with the pay of clergy and licensed lay workers, such as parochial expenses and Council Tax.

### **Section 3: Funding for stipends 2021/22**

24. The 2021/22 stipends bill for all clergy and licensed lay workers on the central payroll, as at 31 August 2021, is estimated at £218.2m<sup>2</sup> (2020/21 figure was £218.9m)
25. This is mostly funded by dioceses and parishes through giving / parish share, investment income and DBF parochial fees. The Church Commissioners are responsible for funding the stipend costs of bishops, deans and two residentiary canons at most cathedrals which in 2021/22 is estimated to be £9.1m. Stipends for additional cathedral clergy (estimated to be £0.65m) are funded directly by the relevant cathedral Chapter.
26. In 2021 the Archbishops' Council paid Lowest Income Communities (LInC) grants totalling £27.2m from funds made available by the Church Commissioners<sup>3</sup>. The Archbishops' Council also paid £6.7m in Transition Funding to dioceses which are receiving less formula-based funding than they did prior to the introduction of the LInC funding. Dioceses can but do not have to spend the funding on stipends
27. In January, the Archbishops' Council and Church Commissioners paid all the LInC Funding and Transition Funding up front to help dioceses with their cashflow as the Church continued to grapple with the ongoing challenges caused by the Covid-19 pandemic.

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<sup>2</sup> All payroll figures quoted include National Insurance contributions, taking into account the impact of HLC. Pension contributions are not reflected in these payroll figures.

<sup>3</sup> LInC funding was introduced in 2017 as part of the Resourcing the Future reforms alongside the Strategic Development Funding. The LInC funding is designed to support dioceses in developing the Church's mission and growth in lower income communities. It is distributed to 26 dioceses which have the greatest number of people living in these communities..

#### **Section 4: Stipend recommendations for 2021/22**

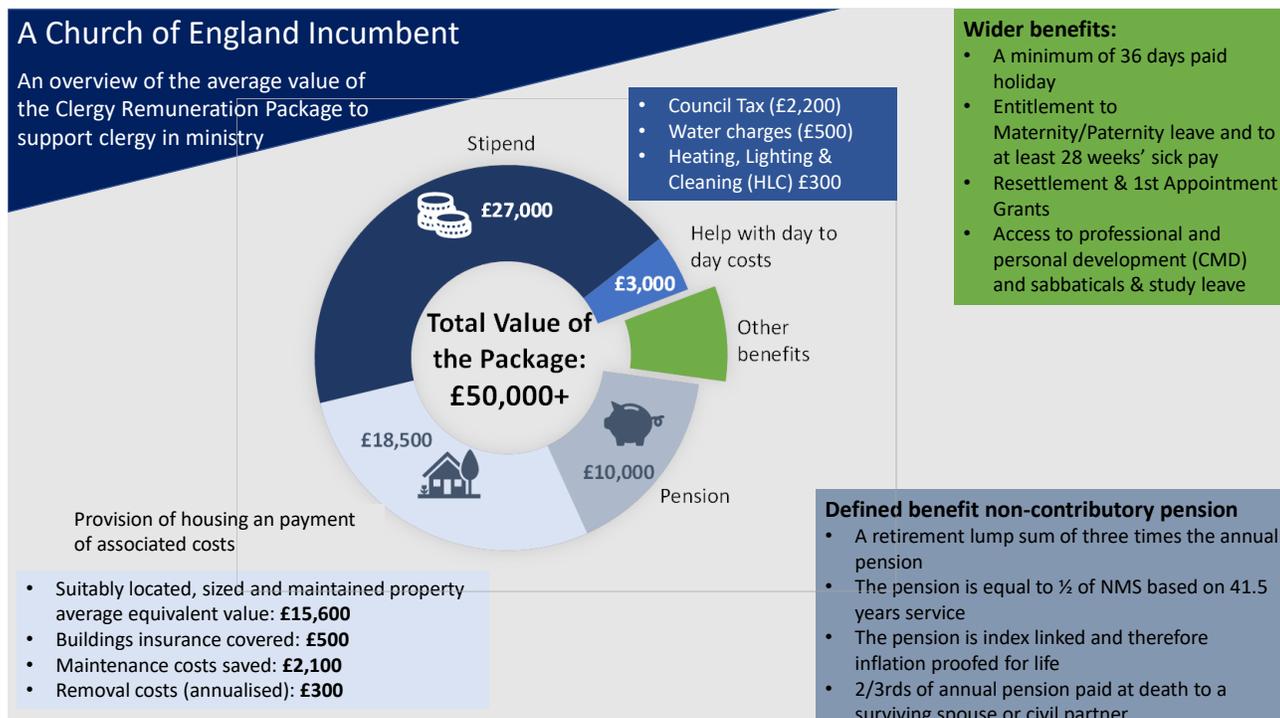
28. The key recommendations of the CSA, made in 2020, effective from 1st April 2021.
  - National Minimum Stipend (NMS) of £25,265, an increase of 0% on the previous year.
  - National Stipend Benchmark (NSB) of £27,000 an increase of 0% on the previous year.
29. Stipend for archdeacons appointed on or after 1 April 2004 of £36,830 and £38,250 for archdeacons appointed before 1 April 2004 (an increase of 0% on the previous year).
30. These recommendations were made in the light of the COVID-19 pandemic and the financial challenges that this posed for the Church. As a result of the pandemic all levels of the Church experienced a fall in income. Dioceses faced the challenge of continuing to meet their stipends bill whilst in many cases experiencing a fall in parish share income. The freeze in the NMS avoided creating additional financial burdens for dioceses at such a time of challenge, whilst dioceses were free to increase their diocesan basic stipends by more than the increase in the NMS/NSB if they wished and were able to do so. Some dioceses have increased stipends in 2021/22 having frozen them in previous years. Please see the table in section 6 for further details.

#### **Further recommendations**

31. Dioceses are required to pay full time assistant staff (assistant curates and stipendiary licensed lay workers) at least the NMS and are recommended to set their stipends between the NMS and the level for incumbents in the diocese, as appropriate.
32. A minimum Resettlement Grant payable in addition to the removal grant for all moves, should be £2,527 (10% of NMS).
33. First Appointment Grants: The CSA recommended that all stipendiary ministers should receive a First Appointment Grant of at least £2,527, in addition to the Resettlement Grant on the following two occasions: 1) when taking up a full-time stipendiary post as assistant curate, deacon, deaconess or licensed lay worker for the first time, and 2) when taking up an appointment as an incumbent or minister of incumbent status for the first time.
34. Bishops and cathedral clergy who were appointed on or after 1 April 2004 should be paid levels of stipend in accordance with the arrangements agreed by the Archbishops' Council for implementing the decision of the General Synod in November 2004. The CSA and the Church Commissioners have agreed that, in future, the stipends of dignitaries and cathedral clergy will be increased in line with the increase in the NSB.

## Section 5: The Total package and an approach to valuing it

35. As part of the remuneration review, work was undertaken to explore the possible ways of expressing the value of the package to clergy as part of the review of clergy remuneration. This work is summarised in the statement below and the overall value of the clergy remuneration package in 2021/22 was estimated to be approximately £50,000.



36. Apart from the stipend, the main elements of the clergy remuneration package are the provision of rent-free housing for the better performance of the duties of office (including the payment of Council Tax, water charges, housing maintenance, and building insurance) and a non-contributory Defined Benefit Pension. The CSA's stipends levels are set on the basis that housing is provided, and that costs relating to the provided housing (including rent, Council Tax, water charges, maintenance, and building insurance) are paid on behalf of clergy.
37. The non-contributory Defined Benefit pension is worth the equivalent of approximately £10,000 per annum (see **annex 1** for further details).
38. It is acknowledged that valuing the package is challenging. It is necessary to distinguish between the financial cost of providing a particular benefit and the value of the benefit received, particularly when not all aspects of "value" can be adequately expressed in financial terms. Further, the value of something to a person is particularly tricky to assess, when it comes in the form of not being charged for something, and the person concerned may not be aware of the actual cost. This is particularly significant with the clergy package, as nearly half of the estimated value comprises costs that clergy do not have to meet. Further detail about the approach taken to valuing the various elements of the package can be found in **annex 1**.
39. Applying the methodology described in the annex to valuing the housing element of the package, and adding this to the valuation of the other elements, the package was estimated to be valued at around £50,000 and within the range of £45,000 to £60,000.

## Stipends paid by the Church Commissioners for 2021/22

40. Stipends for 2021/22 are shown below, including those for clergy appointed before 1 April 2004:

	Senior Clergy starting on or after 1 April 2004	Senior Clergy in equivalent or higher paid post before April '04
Archbishop of Canterbury	£85,070	-
Archbishop of York	£72,900	-
Bishop of London	£66,820	-
Diocesan Bishops	£46,180	£46,560
Suffragan Bishops	£37,670	£38,210
Deans	£37,670	£38,210
Residentiary Canons	Same % increase as relevant Diocesan Basic Stipend	£31,130

41. These stipends remained frozen at the level paid in 2020/21.

### Section 6: Diocesan Stipend Levels in 2021/22

42. In every diocese the **Diocesan Basic Stipend (DBS)** is defined as the stipend paid to the greatest number of clergy of incumbent status within the diocese. Of the 5,350 (5,425 in 2020/21) incumbent status clergy paid through the Church Commissioners' central payroll at the time of reporting, 96% (96% in 2020/21) were paid at the level of the DBS.
43. The National Average Stipend (NAS) is an average of all the clergy receiving the Diocesan Basic Stipend weighted by the number of clergy receiving it in each diocese. At the time of reporting the **National Average Stipend** increased by £310 to **£27,420** (£27,110 in 2020/21).
44. The gap between the NAS and the NSB increased to £420 (£110 in 2020/21). Dioceses are responsible for ensuring that no clergy are paid below the National Minimum Stipend.
45. The Diocesan Basic Stipends are shown at section five. A range of stipends were paid. The lowest was £26,456 (£544 below the NSB) and the highest was £28,444 (£1,444 above the NSB). The level paid to Archdeacons ranged from £36,100 to £38,063 compared with a national recommended figure of £36,830 for archdeacons appointed on or after 1 April 2004 and £38,250 for archdeacons appointed before 1 April 2004.
46. Under arrangements agreed with HM Revenue & Customs (HMRC) parochial clergy may receive part of their stipend paid free of tax and National Insurance as a contribution towards heating, lighting, cleaning and garden upkeep (HLC) costs.
47. In order to assess how clergy stipend compares with prices and wages, the CSA monitors increases in clergy stipends against inflation and average earnings. The table below shows how stipends since 2010 compare to inflation as measured by the Retail Price Index (RPI), Consumer Price Index including owner occupied housing (CPIH) and other indices. RPI in the 12 months to August 2021 was 4.8% and CPIH was 3.0%.
48. In December 2021 the Archbishops' Council accepted a recommendation of the review of clergy remuneration, and agreed a general policy that NMS will, in future, on average, increase by not more than inflation (as measured by CPIH) subject to three yearly reviews and the need to review this position if high levels of inflation establish themselves.
49. The previous official policy, approved by General Synod in 2010 was for increases in the NS to be on average in line with increases in RPI. The reasons for the proposed change in policy include:

- RPI was described as a ‘very poor’ measure of inflation by the Office for National Statistics and is no longer a recognised national statistic.
- Ensuring the affordability of stipend increases whilst maintaining flexibility for dioceses to increase stipends beyond the NMS
- Stabilising pension costs

### NMS, NSB and inflation

50. The table below compares increases in NMS, NSB with those in inflation and the Office of National Statistics’ Annual Survey of Hours and Earnings (ASHE)

Year	NMS from 1 April	Increase in NMS	NSB from 1 April	Increase in NSB	NAS from 1 April	NAS Increase	ASHE Increase – All	ASHE Increase – Public	RPI Increase	CPIH Increase
2010	£20,430		£22,470		£22,570				4.6%	2.5%
2011	£21,370	4.6%	£22,810	1.5%	£23,100	2.3%	-0.2%	0.0%	5.2%	3.8%
2012	£21,900	2.5%	£23,270	2.0%	£23,580	2.1%	1.5%	1.6%	3.2%	2.6%
2013	£22,340	2.0%	£23,740	2.0%	£24,020	1.9%	2.2%	1.6%	3.0%	2.3%
2014	£22,790	2.0%	£24,210	2.0%	£24,520	2.1%	0.1%	1.0%	2.4%	1.5%
2015	£23,250	2.0%	£24,690	2.0%	£24,990	1.9%	1.8%	1.8%	1.0%	0.4%
2016	£23,440	0.8%	£25,060	1.5%	£25,373	1.5%	2.2%	0.7%	1.8%	1.0%
2017	£23,800	1.5%	£25,440	1.5%	£25,750	1.5%	2.2%	0.9%	3.6%	2.6%
2018	£24,280	2.0%	£25,950	2.0%	£26,230	1.9%	3.5%	2.3%	3.3%	2.3%
2019	£24,770	2.0%	£26,470	2.0%	£26,700	3.0%	2.9%	3.8%	2.6%	1.7%
2020	£25,265	2.0%	£27,000	2.0%	£27,110	2.0%	0.1%	2.4%	1.5%	1.0%
2021	£25,265	0.0%	£27,000	0.0%	£27,420	1.14%			4.9%	2.9%
2022	£25,518	1.0%	£27,270	1.0%						

## Section 7: Diocesan Basic Stipends and Residentiary Canon Rates 2021/22

### 51. Diocesan Basic Stipends and Residentiary Canon Rates 2021/22.

Diocese	Notes	Diocesan Basic Stipend (DBS) 2021/22	Diocesan Basic Stipend (DBS) 2020/21	Residentiary canon rate (post 2004) 2021/22
Bath & Wells		27,220	27,220	29,194
Birmingham		26,652	26,130	28,769
Blackburn		26,527	26,527	27,889
Bristol	1	27,079	27,079	29,343
Canterbury		27,000	27,000	30,196
Carlisle		27,220	26,950	28,060
Chelmsford		27,410	27,410	29,330
Chester		26,558	26,558	27,890
Chichester		27,425	27,425	29,637
Coventry		27,000	27,000	28,847
Derby		27,650	27,650	29,183
Durham		26,520	26,520	28,822
Ely		26,900	26,900	28,992
Exeter		27,175	27,175	29,342
Gloucester		27,191	27,191	29,340
Guildford	2	28,444	28,444	28,978
Hereford		26,880	26,610	29,627
Leeds		27,388	27,388	28,475
Leicester		27,651	27,651	29,692
Lichfield		26,755	26,230	29,121
Lincoln		27,428	27,428	29,614
Liverpool		26,736	26,470	28,363
London		27,614	27,206	29,652
Manchester		26,463	26,463	27,890
Newcastle		26,456	25,937	28,647
Norwich		27,000	27,000	29,154
Oxford		27,963	27,963	29,925
Peterborough		27,210	27,000	29,148
Portsmouth	2	27,210	27,210	29,204
Rochester		27,260	27,260	28,871
St Albans		27,987	27,987	29,788
St Edmundsbury & Ipswich		26,589	26,589	28,712
Salisbury		27,540	27,000	29,240
Sheffield		26,866	26,600	28,902
Southwark	1	27,342	27,342	29,475
Southwell & Nottingham		26,979	26,979	29,484
Truro	2	27,370	27,370	28,767
Winchester	2	26,857	26,857	29,051
Worcester		27,159	27,159	29,199
York		26,892	26,892	28,978
Notes:	1. Diocesan stipends change on 1 January each year, but residentiary canon stipends will change from 1 April			
	2. Diocesan Basic Stipend was frozen in 2020 and 2021			

## Section 8: Stipend recommendations for 2022/23

52. **The National Minimum Stipend (NMS) from 1 April 2021 has been increased by 1% and set at £25,518.**
53. **The National Stipend Benchmark (NSB) from 1 April 2021 has been increased by 1% and set at £27,270.**
54. Recommendations for dignitaries and residentiary canons are based on the stipend levels they received in 2021/22 increased by the same increase as applied to the NSB, which was 1%.
55. Stipends are set on the basis that accommodation is provided free of rent, water charges, repairs and insurance and the Council Tax, and approved parochial expenses are fully reimbursed.<sup>4</sup>
56. In setting the levels of the NSB and NMS for 2022, the Archbishops' Council took note of the significant financial challenges that many dioceses were continuing to face in the light of the Covid-19 pandemic, while acknowledging the effect on clergy morale.
57. The CSA acknowledge that clergy will be concerned about the effect of increases in national insurance, heating bills, and forecasts of high inflation. We realise that it is necessary to protect clergy from any further erosion in the value of the stipend by seeking to maintain the value of the stipend against inflation in the future. Whilst it would be unhelpful to dioceses in terms of their financial planning to change the stipend benchmarks at short notice late in the year, dioceses are free to increase stipends by more than the increase in the NSB/NMS if they wish and are able to do so. Further, the CSA will consider trends in inflation when setting the benchmarks in future years.

### Further recommendations to dioceses

58. Dioceses are required to pay full time assistant curates at least the National Minimum Stipend and to set that between the NMS and the level for incumbents in the diocese, as seems appropriate. These rates should also apply to Licensed Lay Workers (including Church Army Evangelists engaged in the parochial ministry) who are officeholders. We realise that a significant number of lay workers will be employed by dioceses and PCCs (and are not officeholders) who as employers are responsible for determining the appropriate level of payment.
59. The recommended stipend for archdeacons has also been increased by 1% and set at **£37,198 for archdeacons appointed on or after 1 April 2004** or, **£38,633 for archdeacons appointed before 1 April 2004**<sup>5</sup>.

### Grants from 1 April 2022

60. **Removal and Resettlement Grants:** The CSA recommends that when moving to a new appointment, every minister should be fully reimbursed for the cost of the removal and that the minimum Resettlement Grant payable in addition to the removal grant, for all moves, should be **£2,552.**

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<sup>4</sup> Stipends are to be calculated in accordance with the method set out in The Remuneration of the Clergy GS 243 as updated by the CSA. (GS Misc 811). The calculation of stipend should include Guaranteed Annuities and Personal Grants (where still payable); parochial giving direct for stipend (including contributions towards the cost of heating, lighting and cleaning the parsonage house); Easter Offering (or Whitsun Offering where appropriate); fees (both parochial, if the clergy person has opted to continue to retain fees, and non-parochial); income net of expenses from chaplaincies; income net of expenses from public and education appointments; income from local trusts. It should not include spare-time earnings; spouse's earnings; private income; income from the informal letting of parsonage house rooms. (It will, however, be open to dioceses to make arrangements as regards the commercial letting of rooms on a significant scale (for example, in holiday areas).

<sup>5</sup> More information about stipends for senior clergy appointed before 1 April 2004 is provided in **annex 2.**

61. **First Appointment Grants:** The CSA recommends that all stipendiary ministers should receive a First Appointment Grant of at least **£2,552**. In addition to the Resettlement Grant on the following two occasions: 1) when taking up a full-time stipendiary post as assistant curate, deacon, deaconess or licensed lay worker for the first time, and 2) when taking up an appointment as an incumbent or minister of incumbent status for the first time. An archdeacon should receive the grant only if he or she had not previously received a First Appointment Grant as an incumbent or minister of incumbent status.

**Stipends for bishops and cathedral clergy for the year from April 2022**

62. Stipends for bishops and cathedral clergy for the year from April 2022

	Senior Clergy starting on or after 1 April 2004	Senior Clergy in equivalent or higher paid post before April '04
Archbishop of Canterbury	£85,920	-
Archbishop of York	£73,630	-
Bishop of London	£67,490	-
Diocesan Bishops	£46,640	-
Suffragan Bishops	£38,050	£38,590
Deans	£38,050	£38,590
Residentiary Canons	Increased in line with any increase in the Diocesan Basic Stipend of the Diocese in which the Residentiary Canon serves	£31,440
Increase from previous year	1%	1%

63. The CSA, from time to time, issues guidance in relation to expenses. For current information please refer to the booklet *The Parochial Expenses of the Clergy 2017*, which is available on the Church of England website.

**Stipends in the diocese of Europe**

64. In the Diocese in Europe chaplaincies (parishes) engage and pay their clergy directly. Archdeacons and chaplaincies are advised of the range of the stipends being paid by dioceses in England, and this forms the starting point for the establishment of a suitable salary in the chaplaincy concerned, taking account of the cost of living in the country concerned, and the number of hours which it is proposed are worked.

## Section 9: Stipend setting process and timetable

65. The usual stipend setting process and timetable is outlined in the table below.

Month	CSA	Dioceses
<b>Jan</b>	<p>CSA Report finalised for February General Synod. Stipend survey/ consultation re: NSB/NMS in following year prepared.</p> <p>DBS increases from this year confirmed with dioceses.</p>	including confirming DBS increase for Church Commissioners to consider re: Residentiary canon rates
<b>Feb</b>	<p>Stipend survey/ consultation re: NSB and NMS in following year ISSUED.</p> <p>Consider economic evidence.</p> <p>Engagement with key stakeholders about possible level of NMS (including the Archbishops' Council's Finance Committee and the Church Commissioners' Board of Governors)</p> <p>CSA Report to Synod</p>	Deadline for confirming DBS increases from this year
<b>Mar/Apr</b>	<p>RACSC considers results of survey Engagement with key stakeholders about NSB: Finance Committee; IDFF, DSLG.</p> <p>RACSC makes a recommendation for increases to the NMS and NSB at their April meeting</p> <p>April RPI/CPIH figures published</p> <p>Residentiary canon rates published.</p>	Deadline for responding to stipends consultation (late March)
<b>May</b>	NMS and NSB decision by the Archbishops' Council	
<b>June</b>	NMS decision communicated to diocesan secretaries and DBF chairs, diocesan financial secretaries, other diocesan contacts, other external and within NCIs through the annual stipends letter.	Note decision re: NMS effective the following year.

<b>Nov- Dec</b>	Stipend Consultation document drafted Survey created. Latest HM Treasury data noted.	
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## **Annex 1: More detail on the clergy remuneration package and the approach taken to valuing it**

### ***Pensions - The Church of England Funded Pension Scheme***

1. The Church of England Funded Pension Scheme ('CEFPS' or 'Clergy Scheme'<sup>6</sup>) is a defined benefit pension scheme giving a guaranteed income in retirement and lump sum at retirement. The size of the pension depends on the number of years of stipendiary service, the office held, and the National Minimum Stipend in the year before retirement (we refer to this as "pensionable stipend"). Once in payment the pension increases in line with RPI, capped at 3.5% for service from 1 January 2008 and 5% for service before that date.
2. The rules of the scheme have changed over time and many serving clergy will have earned benefits which are determined by reference to the rules that applied at the time. The Pensions Board calculates a pro-rata benefit for each period where the member has less than the maximum possible service.
  - The maximum pension that members could earn for full service (37 years) completed before 1 January 2008 was two-thirds of pensionable stipend plus a lump sum of three times that amount. (This includes both service since 1 January 1998 in CEFPS and pension earned in the predecessor Church Commissioners' scheme). The Normal Pension Age for these benefits is 65.
  - Between 1 January 2008 and 1 January 2011, the number of years needed to qualify for maximum service was increased from 37 to 40 but the scheme still provided a maximum pension of 2/3rds of pensionable stipend. The Normal Pension Age for these benefits remained 65.
  - The maximum benefit that can be earned for those who joined CEFPS from 1 January 2011 is half of pensionable stipend, plus, a lump sum of three times that amount, after 41.5 years' service. Normal Pension Age increased to 68 for benefits earned at 2010.<sup>7</sup>
3. Therefore, a member in stipendiary service both before and after 1 January 2011 will have a blend of benefits based on the service earned under each set of rules.
4. The cost of pension contributions is met from local sources and collected by the Pensions Board from the diocesan boards of finance.
5. The Pensions Board set the joint pension contribution rate in respect of past and future pensionable service as 39.9% of the previous year's NMS following the last triennial valuation at 31 December 2018. This comprises 32.8% for future service and 7.1% for past service deficit recovery. The deficit recovery period is set to run until 31 December 2022. The next triennial valuation is due at 31 December 2021, with provisional results due in Q2/3 2022.
6. It can be noted that the past service deficit is expressed and levied on a per capita basis because it is in practice very difficult to distinguish the past service liabilities and assets of each participating diocese. When comparing with other employment/pension arrangements it is important to remember that the CEFPS contribution rate a) includes past service as well as future contribution and b) is expressed in terms of the previous year's NMS, which is lower than actual stipend received.

### ***Valuing the pensions element of the clergy package***

7. The slide in paragraph 22 notes an approximate value for the pensions element of the package of £10,000, reflecting the cost to responsible bodies of pensions contributions. The benefit of pension (deferred pay) is difficult to value precisely, as the sum paid will not be known for certain until retirement and people sometimes apply a discount factor to the value of future income. However, a defined benefit pension provides a significant advantage to clergy in terms of giving them a more predictable income in retirement.

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<sup>6</sup> NB Certain lay roles, notably stipendiary Licensed Lay Workers on Common Tenure are also eligible to participate in the CEFPS.

<sup>7</sup> As part of the 2011 changes the CEFPS was contracted back into the State Second Pension. The Basic State Pension and S2P were later replaced for members reaching State Pension Age from April 2016 by the new Single Tier State Pension, requiring 35 qualifying years to get the full amount. Analysis for the Pensions Task Group at the time suggested that, broadly, those over 40 at the time would be better off under the new State Pension provided they had sufficient qualifying service.

8. A cost figure offers something of a proxy for value, but is imperfect as the cost will vary according to a number of outside factors such as returns on investments, market conditions and the amount of any deficit (risks which the responsible bodies bear rather than the individuals in the case of the clergy pension scheme).

## **Housing**

9. Full time stipendiary clergy are legally entitled to have a house provided. They are legally required to live in the provided house unless the Bishop gives them permission to live elsewhere, and do not pay rent. As the house is provided for the better performance of their duties, HMRC does not regard the provided house as a taxable benefit.
10. Instead of being provided with a house for the better performance of their duties, a few clergy receive additional payment in the form of a taxable discretionary housing allowance (the value of which varies considerably, as do rental values).

## ***Valuing the housing element of the package***

11. Valuing the housing element of the package is challenging. The value of the provided house is particularly likely to be seen differently by different clergy according to their circumstances. However, as everyone is faced with housing costs, it would be difficult to argue that the housing provision was of no or very little value, but it is recognized that a range is likely to be more meaningful than a single average value and we have not sought to draw on the highest end of that possible range.
12. Two alternative approaches were adopted for valuing the housing element of the package – one based on average rental values and the other a calculation relating to the cost of home ownership (with an adjustment to allow for the reality that clergy do not benefit from any increase in the capital value of the property that they live in and that they do not derive the same value from provided housing as one does from gradually paying off a repayment mortgage).
13. The first approach used data on private rental values taken from Valuation Office data compiled by the Office for National Statistics (ONS). The average value of a four-bedroom house in England was £18,300 as at February 2021 (with a range from c.£9,000 to c.£24,000).
14. The second approach adopted is based on the cost of owning a property (mortgage capital and interest payments), with a discount applied to take account of the fact that the clergy person would not be benefitting from a capital gain in the value of the house, as they do not own it. The base case takes the average value of a detached property in England as at April 2020, which was £385,000 (UK government land registration data). From this, the annual capital repayment is calculated to be c. £16,000 and the interest payment c. £7,600 (assuming an interest rate of 1.99%), totalling £23,600. The capital gain figure has been estimated as roughly equalling the cost of interest over the past ten years. This figure is deducted (£7,600), giving a valuation of the average cost of purchasing such a property as £15,600.
15. Recognising that property values differ significantly regionally, the calculation was also run using the average value for a detached property in Sunderland (£200,000) and Guildford (£764,000). In the case of a property in Sunderland, the cost of ownership value would be c. £8,000 and in Guildford c. £31,000.
16. The lower of the average figures produced by the two approaches (£15,600) was adopted.

## **Other benefits**

17. The benefits of not having to pay Council Tax, water charges and the benefit that parochial clergy may receive part of their stipend paid free of tax and National Insurance as a contribution towards heating, lighting, cleaning and garden upkeep (HLC) costs were valued using average values.

18. For Council Tax the average band E figure for England for 2020-21 of £2,200 was used. The average figure used for water charges of £500 was an Ofwat figure for average water and sewerage charge. A figure of £300 was used for the tax saving on average HLC spend.

## **Annex 2 : Stipends of dignitaries and residentiary canons**

### **The method of rounding down the stipends of dignitaries and residentiary canons from 1 April 2004, agreed by the Archbishops' Council**

19. The General Synod decided in November 2002 that the differentials paid to dignitaries and residentiary canons, expressed as multiples of the National Minimum Stipend (NMS), should be rounded down from their then levels. The extent of the rounding down and the way in which the new differentials should be introduced were discussed by the Deployment, Remuneration and Conditions of Service Committee and by the Board of Governors of the Church Commissioners and the Council agreed to recommend to the Church Commissioners, cathedral chapters and diocesan arrangements for dignitaries and residentiary canons from April 2004.
20. In 2010 the Archbishops' Council and the Commissioners decided to adopt a new approach, by linking increases in the stipends for dignitaries and residentiary canons to increases in the National Stipends Benchmark. There would be two levels for each post, one for clergy appointed on or after 1 April 2004, and one for those appointed before 1 April 2004.
  - a) Newly appointed clergy would be paid at the level for clergy appointed on or after 1 April 2004 unless immediately before their appointment they were in receipt of a stipend at a higher level. In this case, the Council recommended that a receiving diocese or cathedral should have discretion to enhance a person's stipend initially but then reduce it in equal steps during a maximum period of three years until it reached equivalence with the lower stipend attached to the new post. This means that a person in this position would receive the first reduction in stipend on appointment and two subsequent reductions in the second and third years dated from the time of appointment. Members of the senior clergy who move to posts with lower stipends should have as their target stipends the levels of stipend that have applied to those posts since 1 April 2004 except for those clergy moving within the same 'pay band' (diocesan bishops, deans, suffragan bishops, archdeacons and residentiary canons) who should retain their pre-1 April 2004 stipend level.
  - b) Stipends for bishops, deans, and archdeacons who were in post before 1 April 2004 should, from 2010, be increased by the lower of the Retail Price Index (RPI) or the increase in the NSB, until they reach the stipend of clergy who were appointed on or after 1 April 2004.
  - c) Following the withdrawal of Regional Stipends Benchmarks, the Board agreed that stipends for residentiary canons appointed after 1 April 2004 should be increased in line with each diocese's Diocesan Basic Stipend (DBS), subject to a maximum level. Owing to the time table for obtaining information from dioceses, rates from April this year cannot be included in this Report and will be shared with dioceses and published subsequently on the Church of England website.
  - d) Stipends for residentiary canons who were in post before 1 April 2004 should be increased by the increase in the NSB or the increase in inflation, (if that is lower) only, until they reach the stipend of clergy who were appointed on or after 1 April 2004.
21. The measure of inflation to be used in calculating annual increases in stipends for existing post-holders should be the actual CPIH for the twelve months to the previous September.