

18 January 2018

Dear Members of General Synod

Cathedrals Working Group: Publication of Draft Report for Consultation

We are writing as Chair and Vice Chair of the Cathedrals Working Group (CWG) to let you know that the **draft report** from the CWG has now been published on the Church of England website alongside an **online survey** and we would really appreciate your feedback.

The publication of this report follows hot on the heels of the Taylor and Bourne reports either side of Christmas and New Year – both of which serve to reinforce the significant interest engendered by cathedrals in church and society. We hope that the CWG's report will be an important further contribution to the profile of cathedrals in our national life.

Background to the CWG Report

The full membership and Terms of Reference of the Cathedrals Working Group may be viewed on the Church of England website at:

<https://www.churchofengland.org/more/media-centre/news/cathedrals-working-group>

The aim of the Working Group's recommendations is to ensure that cathedrals continue to flourish and to be innovative and creative in Christ's service well into the future.

Consultation Process

There will be a certain amount of face-to-face consultation with the AEC, Deans' Conference and General Synod, but the main consultation process consists of the online survey. The deadline for consultation responses to this survey will be **5pm on Wednesday 28 February**.

The survey is split into two parts, with section 1 asking mandatory questions on the main principles of the report and section 2 with optional questions on the report recommendations.

Alongside the online survey there will be a fringe session on the CWG report for General Synod members at the February General Synod on Friday 9 February, 1pm in the Convocation Hall.

What happens next?

After the consultation closes the Cathedrals Working Group will reconvene to consider the responses received and to discuss what refinements and changes might be made to the draft. The final version will then be submitted to the Archbishops' Council in March for their consideration. Subject to their approval, an analysis of consultation responses will be published alongside the final version of the report after the Council has met.

Concluding Remarks

We are grateful for the time and energy that has already been given to this report by many in the cathedrals world and across the Church and wider society. We hope that it reflects your experiences in a fair way, and that the recommendations address concerns and point towards continuing success.

A handwritten signature in blue ink that reads "+ Adrian Stepany". A long horizontal line is drawn below the signature, starting from the left and extending past the end of the name.

The Rt Revd Adrian Newman, Chair of the Cathedrals Working Group

A handwritten signature in black ink that reads "Vivienne Faull".

The Very Revd Vivienne Faull, Vice Chair of the Cathedrals Working Group

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- The Cathedrals Fabric Commission for England
- The Association of English Cathedrals
- The Cathedral Administration and Finance Association
- The Cathedral Architects Association
- Cathedral Development Trusts

- The Cathedral Organists Association
- The Cathedrals Funding Network
- Cathedral volunteers
- Friends groups
- The Development and Appointment Group
- The Charity Commission
- All MPs with a cathedral in their constituency
- Local Authorities
- Lord Lieutenants
- High Sheriffs
- Providers of cathedral financial services (external audit etc.)
- Major grant funders (HLF, Allchurches Trust etc.)
- Heritage bodies (Historic England etc.)
- Interested parties and relevant government departments

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TITLE PAGE

CHURCH OF ENGLAND

**CATHEDRALS
WORKING GROUP**

Draft Report for Consultation

18 January 2018

REPORT FROM THE CATHEDRALS WORKING GROUP

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PREFACE FROM THE CHAIR

PREFACE FROM THE CHAIR

1. As a parish priest for 20 years I had always been something of a sceptic about cathedrals. So, it was one of God's little jokes when I was asked to become a dean.
2. I quickly discovered, of course, just how wrong I had been. These amazing places incorporate everything the Church of England aspires to be in its best moments: congregations are growing and visitor numbers are remarkable; people on the edge of faith experience them as safe spaces to explore Christianity; they have become a focus for enquiry and activity in the public square, gathering places for communities at times of national crisis or celebration, and a crucial source of 'bridging' social capital at a time when darker forces threaten to fracture the social landscape.
3. On the very day the first draft of this report was finalised, the latest statistics on cathedrals were published. Average weekday attendances were up yet again, and visitor numbers (including Westminster Abbey) exceeded 10 million in the past year. 16,500 people attended Fresh Expression services and 310,000 young people came to cathedrals through special educational visits, both of which were significant increases on previous years. Cathedrals continued to be centres of civic life, with 1.2 million people reported at 6,000 civic services and events throughout the year. As the Rt Revd John Inge, Bishop of Worcester, and lead bishop for cathedrals and church buildings, said in response to these latest statistics:
"Behind these figures lie stories of worship, learning, exploring faith and spirituality and encountering God at times of joy and despair. Through new forms of worship, bringing people of all faiths and none together, and serving the young and old alike, these amazing places continue to be at the heart of national life."
4. On almost any ecclesiastical or missional measure – the five marks of mission, or the quinquennial goals, for instance – cathedrals are leading the way for the rest of the Church.
5. At a time when many parts of the Church of England are struggling with a form of institutional anxiety, it is therefore ironic that there is an enquiry into the cathedral sector. For in many ways cathedrals are one of the church's 'success stories', bucking the trends of numerical decline, exerting a growing influence in civil society, and demonstrating an effective way of engaging with contemporary culture.
6. However, these remarkable achievements do not tell the whole story, and last year's episcopal visitations at Peterborough and Exeter exposed serious fault-lines in their cathedrals and raised important questions about the structures by which cathedrals are governed. At the same time, the Church Commissioners produced a report on the financial sustainability of the cathedral sector, illuminating the large number of cathedrals under significant financial pressure.
7. The Cathedrals Working Group was formed against this backdrop, to address the question of whether the unusual governance structure of cathedrals exposes them to particular vulnerabilities and places their gift and inheritance at risk.
8. Twenty-five years ago, in an ironic piece of historical symmetry, the Howe Commission was set up in the light of problems at two other cathedrals (Hereford

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and Lincoln). Their work, published as *Heritage and Renewal*¹, laid the foundation for the 1999 Cathedrals Measure and set the framework by which cathedrals are governed today.

9. It is worth stating that the Cathedrals Working Group is not another Howe. We have been a Working Group rather than a Commission, and we have had neither the time nor the resources to conduct a piece of work with the scope or the depth that was so evident in *Heritage and Renewal*. Nonetheless we have attempted to consult relationally with key stakeholders, to honour the rich experience that exists in cathedrals and dioceses, and to consider the wide range of important issues that emerge from the central question about governance.
10. The governance and management of a cathedral's range of activities, and of buildings of such extraordinary sensitivity, requires considerable sophistication and skill. Cathedral Chapters have learnt much from *Heritage and Renewal* and continue to embed the requirements of the Care of Cathedrals and Cathedrals Measures. Many do so with ambition and creativity, but often with too little resource or training. In the years since the turn of the century, Chapters have often embarked on major building and development schemes despite lacking project management capacity. They have sometimes failed to be good clients. Some serious governance mistakes have been made. Chapters have much to learn.
11. There is also a need for penitence for those occasions when relationships between cathedral and diocese, bishop and dean have broken down. Cathedrals can easily turn inwards and be organised for the best interest of Chapter, or staff, or volunteers and not for the needs and hopes of those outside their doors. Chapters can be too protective of the spiritual capital of the cathedral, resisting opening their hearts and the cathedral's giftedness to bishop and diocese. Bishops, sometimes lacking experience or understanding of cathedrals, can fail to understand the riches the cathedral can offer, fail to receive the gift of the cathedral with grace, or fail to find in the cathedral a fount for mission. These failings are to the detriment of the whole Church.
12. In addressing the challenges of this piece of work, we have had to ask ourselves how much can be achieved by codes of practice and guidelines, and how much requires legislation. In our consultations, many people have wanted to stress that the quality of relationships is primary, and no amount of legislation can solve the problems of dysfunctional relationships. On the other hand, every organisation has to ask itself the question: when something goes wrong, who has the power to intervene, and what powers of intervention are available to them? We have tried to find a balance in all of this, honouring the achievements of cathedrals and their special place in the ecology of the Church of England, while at the same time recognising the seriousness of the situation facing many of them.
13. In the final analysis, the primary task of a cathedral is something that transcends regulation and scrutiny. It is the worship of Almighty God. The extraordinary impact of cathedrals is not a function of their governance and management, it is their capacity to draw the soul to the Creator, Redeemer and Sustainer of all things. The Working Group has held this as a guiding vision, even as we have applied ourselves to the important and pragmatic issues before us.

¹ The report of the Archbishops' Commission on Cathedrals 1994

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14. We recognise that even the mere fact of the Working Group's existence has moved things forward helpfully in certain areas (I'm reminded of the comment, made most recently by Rahm Emanuel when he was Barack Obama's Chief of Staff, that you should never waste a good crisis). There seems to be a growing openness to seek financial advice from the National Church Institutions, to strengthen the relationship between deans and bishops, to utilise existing tools such as the Association of English Cathedrals (AEC) *Guide to Good Governance*, to consider external regulation, for Chapters to recognise the trustee responsibilities implicit in their role, and for Chapters and Councils to review the way they work together. A piece of work that emerged from a place of anxiety is therefore landing in a context that already feels as if it is moving on. Changes are already in the wind, and they are to be welcomed. The question before us has been: are they enough?
15. Every member of the Working Group would want to pay tribute to the support of the staff at Church House as we have gone about our work. They have been exemplary, professional, responsive and human in equal measure, and we could not have achieved any of this without them.
16. Discussion on the Working Group has reflected the full panorama of opinion about the Cathedrals Measure, from evolution to revolution. I am extremely grateful to each and every member of the Group for their commitment to this piece of work, and for the honest, skilful and gracious discussion we have enjoyed together. We have endeavoured to come to as common a mind as possible – not as some form of lowest common denominator but in order to present a cogent, coherent and politically achievable set of recommendations to enable cathedrals to flourish.
17. We offer this report not as a final word, but as a set of proposals to stimulate and provoke further wisdom. England's cathedrals are an immense gift to Church and nation, and we hope that our report can help to form a better understanding of how this gift can be nurtured and protected, celebrated and safeguarded long in to the future.

+Adrian Stepney

Chair of the Cathedrals Working Group

January 2018

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18. Cathedrals are spectacular and wonderful expressions of the mission of God in His world. There is much to celebrate, guard and nurture in the life of cathedrals - congregations are growing, people continue to visit in vast numbers, and demand for the contribution of cathedrals in civil society and the public square defies expectations in a secular age. All of this attests to their increasing popularity and cultural importance – cathedrals bring something unique and wonderful to Church and nation. Our vision in preparing this report has been to seek to preserve these extraordinary places so that they may carry on flourishing into the future.
19. However, recent failures of governance and management within a small number of cathedrals have highlighted vulnerabilities and weaknesses across the sector, many of which have a financial basis. Therefore, this report makes a series of recommendations to improve the governance and management of cathedrals. It does so in order to sustain and enhance the vital role that cathedrals play across the landscape of the Church's mission and public life.
20. Our report can be summarised as follows:

Mission and ecclesiology

21. Cathedrals 'do God' in ways that resonate uniquely with aspects of contemporary culture. A cathedral is the focus of a bishop's 'gathering' role and this gives meaning and content to the definition of a cathedral as the seat of the bishop and a centre of worship and mission. Diocese and cathedral are part of one body, working together to proclaim the Kingdom of God. There are many ways to improve relationships and joint-working between cathedrals, bishops, dioceses and National Church Institutions.

Governance

22. The responsibilities and accountabilities of various cathedral bodies and roles are unclear or ambiguous under the current governance arrangements set out in the Cathedrals Measure. The consequent confusion of governance and management has increased both operational and financial risks for the cathedral sector. In this report we propose a series of steps to address this as follows:
- Retaining Chapter as the governing body, but with enhanced membership and a majority of 'non-executive' members, at least two-thirds of whom would be laity
 - Retaining the dean as chair of Chapter (just as diocesan bishops chair their Councils and incumbents chair their Parochial Church Councils (PCC)s. We believe it is right that the dean should chair the Chapter)
 - A clear separation of governance and management, involving the establishment of a Senior Executive Team to oversee day-to-day cathedral operations
 - Strengthening the Chapter's engagement with finance, audit and risk management activities
 - Establishing a quinquennial assurance review of processes and controls
 - Enabling the diocesan bishop to appoint a senior independent lay member to sit on Chapter as Vice-Chair. This would have the effect of giving the

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bishop a more direct and positive relationship with Chapter, while respecting the historic ecclesiological pattern of Chapter as a praying community led by the dean

- Removing the confusion over the role and expectations made of Cathedral Councils by re-orienting their focus around stakeholder engagement and removing any legislative function
- Registering cathedrals with the Charity Commission through bringing them under the Charities Act

Leadership and management

23. Good governance only works effectively if it is supported by a clear and robust management structure. Many of the strategic, operational and financial challenges in cathedrals stem from issues around management focus and effectiveness. We propose addressing these as follows:

- All cathedral clergy and staff will come under the dean's authority
- Ministerial Development Review requirements for deans and residentiary canons will be revised and updated to ensure that the management structure and processes operate effectively
- Chapters will establish a Nominations and Development committee, with a significant brief to review and address the skills and experience necessary for effective governance and management
- Proper attention should be given to appointment, induction, training and development of Chapter and staff members

Finance

24. Without robust financial management, the sustainability of cathedrals is at risk. Given their often-substantial outgoings and obligations, cathedral finances are under considerable pressure, and yet their management is often under-resourced for the tasks they need to undertake. We make detailed recommendations for this major risk area, including:

- Prioritising the recruitment and retention of a suitably qualified Chief Financial Officer and supporting staff
- Establishing a central support service for cathedrals to access skills that they may not have in-house.
- Establishing, at a minimum, a Finance, Audit and Risk committee with an appropriately qualified independent chair. Where local circumstances and resources permit, it would be best practice to have an Audit and Risk Committee separate from the Finance Committee.
- Creating robust internal and external reporting structures
- Selecting auditors from a nationally-endorsed panel

25. We have also proposed a range of changes to the funding streams from the Church Commissioners in the interests of flexibility, simplification, fairness and innovation

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Buildings

26. Major buildings projects play a large part in the life of many cathedrals but represent the largest episodic financial risk that cathedrals face. Before embarking on major projects, Chapters need to ensure that they have:

- Carried out a skills audit and gap analysis
- Established effective project governance and management structures
- Access to high quality advice

27. Collaboration between cathedrals and the National Church Institutions is valued and necessary. Work needs to be done at national level to assess the overall national repair and maintenance liabilities of cathedrals. Government should be approached to begin a dialogue about state contribution to a national UK cathedral fabric fund.

Safeguarding

28. While progress has been made in the past few years, we remain concerned that the cathedral sector as a whole is lagging behind the rest of the Church on safeguarding. We endorse the proposed 'whole church' approach to safeguarding being led by the National Safeguarding Team and expect cathedrals to work jointly with their diocese in order to achieve it. There remain failings in safeguarding practice for cathedrals and we call on the sector to address these as a matter of urgency.

Conclusion

29. While many of our recommendations require legislative change, there is much that cathedrals can do in anticipation of legislation to adopt good practice. In order to achieve this vision for flourishing cathedrals of the future, **our recommendations must be adopted as a whole rather than being cherry-picked**, with the intent of ensuring that the implementation of this report does not suffer from the selective approach taken to the adoption of the recommendations of the Howe Commission in the 1990s. In proposing them, we want to ensure that cathedrals flourish long in to the future to fulfil their primary tasks of worship and mission.

30. This report, and especially this Executive summary, may appear to focus on the corporate governance, risk management and financial aspects of the day-to-day life of cathedrals. This is because this was the task that the working Group was set, and which was made clear in our terms of reference. It is accordingly in these areas that we are recommending that changes be made, and certain activities strengthened.

31. We have devoted an early section of this report to considering the Mission, Role and Ecclesiology of cathedrals and we have referred to the work on this which is taking place elsewhere. We have also suggested that the Church commission further thinking on this area. The report takes as read the huge contribution that cathedrals make to the Church and the world. Our recommendations are aimed at helping cathedrals to strengthen and support their ministry for future generations.

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INTRODUCTION

Introduction to the Report

Our vision

32. The Archbishops commissioned this report to look into recommending improvements to the governance and management of cathedrals. This is what we have done. However, we wanted to set out up front the broader vision for cathedrals which has informed every stage of our work. This vision has been inspired by our many years of involvement with cathedrals, as clergy, chapter and council members, heritage consultants, and worshippers.
33. We are making these recommendations because we want to support cathedrals as spectacular and wonderful expressions of the mission of God in this world.
34. Cathedrals are part of all our history. Many of them have featured in some of the most momentous events and occasions in the history of this country, in sadness and in joy. In a sense, they have always been contested spaces, sometimes literally fought over by different interests. Far from tranquil repositories of historic artefacts, they are packed with different meanings for different people.
35. Our vision in preparing this report has been to preserve these extraordinary places to carry on flourishing into the future. The governance and financial structures we are recommending are not ends in themselves. The people who are coming in rising numbers to cathedrals today, whether as worshippers, tourists or simply seekers of the numinous, are not drawn to them because they are governed well but because they are a 'thin place', often filled with great beauty and allowing glimpses of the divine.
36. Cathedrals do not just belong to the Church, although it is the Church which runs them, bears most of the financial burden for them, staffs them and ensures their ministry of prayer, worship and mission. They do this for the wider public benefit. Cathedrals do not just pray for and support the spiritual life of their communities. They are often also venues for public occasions, mark the various stages in the life of the community throughout the year and have an iconic local status, attracting tourism and businesses to the area.
37. Given this importance in the secular sphere and civil society, we think it is time to re-visit the complex but important issue of whether there should be some kind of state funding for cathedrals. Their liabilities are very considerable, their running costs huge and yet the loss to the community were they to fail would be incalculable. We would encourage a dialogue between the Church and the Government about future possibilities for funding.
38. We are aware of the considerable literature that already exists about cathedrals and their meaning. The next section on the Mission, Role and Ecclesiology of Cathedrals attempts to unpack some of the theology of cathedrals and how they fit into the wider Church ecclesiology. The theological backdrop to cathedral ministry is vital and we want to encourage further work in this area.
39. We offer a word of warning about implementation. The Howe Commission made an array of interlocking recommendations, but its later implementation achieved, in some cases, the opposite of what was intended. Our recommendations should be viewed as whole. We urge against 'cherry-picking' certain recommendations and ignoring others as they all need to be held together in a coherent fashion. In

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proposing them, we want to ensure that cathedrals continue to flourish long in to the future in their primary tasks of worship and mission.

40. Our recommendations are offered in this spirit.

Background to the Cathedrals Working Group

41. The Working Group was set up by the Archbishops Council following the Bishop of Peterborough's visitation of Peterborough Cathedral in response to the issues which surfaced there, and in particular the 'reflections for the House of Bishops and the National Church Institutions' which constitute sections 25-30 of Bishop Donald's charge, culminating in this section:

*I urge the Archbishops' Council, the Church Commissioners, and the House of Bishops, to **look at whether the current Cathedrals Measure is adequate, and to consider revising it.**¹*

42. The Working Group was asked to review the sufficiency of the Measure and to focus on the following areas within its Terms of Reference:

- Financial management
- Major buildings projects
- Safeguarding
- Accountability, oversight and scrutiny
- Leadership capacity, including training and development needs for Deans and Chapters
- The relationship of cathedral governance structures to other key partners, especially the Diocesan Bishop, Diocese and Church Commissioners
- The planning, execution, communication and implementation of Cathedral Visitations

43. The presenting issues at Peterborough and Exeter reflected failings of governance and management, especially in the area of finance. The core task of this report is therefore to propose measures for the cathedral sector to protect it against similar difficulties and to strengthen cathedrals in their key roles of worship and mission, to set a framework in which they can flourish even more than they do now.

The Howe Commission

44. This report follows in the magisterial footsteps of a much more ambitious and lengthy report prepared by the Cathedrals Commission led by Lady Elspeth Howe (now Baroness Howe) and published in 1994². The Howe Commission took two years to carry out its work and reach its conclusions, visiting every cathedral in the country and consulting very extensively. The depth and care of its work is reflected in its detailed and helpful conclusions. We are indebted to the report – much of which is still relevant – and have referred to it closely in our work and in the writing of this report.

¹ Bishop of Peterborough Visitation Charge paragraph 30. See: <http://www.peterborough-cathedral.org.uk/userfiles/bishops-charge.pdf>

² Heritage and Renewal: The Report of the Archbishops' Commission on Cathedrals. London: Church House Publishing (CHB), 1994.

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45. In their introduction to the Howe report, the Archbishops of Canterbury and York wrote as follows:

Everyone will surely agree that our 42 cathedrals are among the glories of the Church of England in their daily offering of worship and praise to God. But cathedrals are also human institutions which have been developed over the centuries and which, from time to time, need to be reviewed and given fresh direction so that they can continue their inspiring involvement in the mission of the whole Church.³

46. This Working Group was established with a much shorter timescale and with a very clear-cut set of objectives as set out in the Terms of Reference. It has never been our intention to replicate the scale and ambition of the Howe Report. Instead, in line with the Terms of Reference, we have attempted to do the following:

- To scrutinise the causal factors behind the recent issues identified in the visitations of Peterborough and Exeter and to identify any lessons learned.
- To respond to the challenge to review the Cathedrals Measure as set out in the Bishop of Peterborough's January 2017 Visitation Charge.
- To review the current regulatory regime for cathedrals in the light of best practice elsewhere in the Church and in the charity sector and to see what changes may be required to bring cathedrals in line with this.
- To take account of concerns and issues raised within the cathedral sector, but also concerns and insights we have gathered from dioceses and the National Church Institutions.
- To take account of more recent contextual developments and concerns – particularly questions of safeguarding – which impact the mission and operation of the cathedral sector and which were less of an issue for the Cathedrals Commission in 1994.

Process and consultation

47. We have met for six full days between May and November 2017. We began our work with a review of the literature on cathedrals from the time of the Howe Report onwards. We have called for – and received – a range of excellent papers from staff members at Church House.

48. We have undertaken a number of consultations:

- 35 one-to-one conversations with cathedral deans
- 30 one-to-one conversations with diocesan bishops (including the two Archbishops)
- 15 one-to-one conversations with individuals wanting to make verbal submissions (Chapter and Council members, fund-raisers, musicians, politicians, lawyers, historians, members of visitation teams, etc)
- A review of confidential material from recent visitations
- A focus group consultation with senior members of cathedral operations staff

³Ibid., p. vii.

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- A presentation and consultation with the Cathedrals Administration and Finance Association (CAFA) conference
 - A presentation and plenary with the Association of English Cathedrals (AEC) annual meeting
 - A focus group consultation with bishops, deans and chairs of cathedral councils
 - A consultation with the Church Commissioners
 - A focus group meeting of bishops and deans
 - A presentation and consultation with Adam Halsey, Head of Faith Charities at haysmacintyre
 - A survey of all the chairs of cathedral councils
 - A survey of all the chairs of cathedral trusts
 - A survey of selected cathedral finance committees
 - A survey of all the chairs of local authorities
49. We have received written submissions from a large number of individuals and groups associated with cathedrals, and we have reviewed theological input from a range of sources.
50. We have tried to make the consultation process as ‘human’ as possible, meeting or speaking relationally rather than as a desk-top exercise. We hope, in so doing, to have heard the voices of many of those who will be most closely impacted by our work. The wealth of source material offered to the Group via these conversations, meetings and written submissions has been invaluable in steering our work and guiding our thinking.
51. The consultation exercises have made it clear just how many people are invested in the fortunes of cathedrals, and how varied opinions are on the best way for them to flourish. This has made our work stimulating, if a little daunting – there is no single, clear and unequivocal answer to the challenges we have been asked to address.
52. We are acutely aware of the omissions in this report. We have not been able to cast more than a glance at some fundamental aspects of a cathedral’s life and witness: music, education, interpretation, visitors, volunteers, cathedral schools and security to name but a few. This is not to deny the importance of these areas of cathedral life, but our focus has been on the narrower areas of governance and management – and our hope is that by enhancing these basic structures in a cathedral, we can strengthen their ability to deliver their mission.
53. In parallel to our work, the English Churches and Cathedrals Sustainability Review has been considering a range of issues relating to church buildings, some of which will undoubtedly overlap with the themes of this report. We hope that the two reports will align helpfully as they are published.
54. We offer our conclusions with a degree of provisionality, in the hope that we can sharpen our proposals in the light of further and re-iterated public consultation before finalising the report for submission to the Archbishop’s Council at its meeting in March 2018.

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Main themes of this report

55. From the evidence we have reviewed – as well as our own professional experience – it is clear to us that cathedrals need to have a **strong governance framework** underpinned by a **robust management structure** with clear lines of accountability in order to meet the challenges that they face. Added to this, cathedrals need to be able to **access necessary professional skills and services**, particularly **finance, risk management and project management**, to avoid getting into financial difficulty and manage often scarce resource as effectively as possible.
56. In considering these practical matters, we have attempted to hold these together with the historic ecclesiology of cathedrals as well as the contemporary context of their mission.

Shape of the report

57. In setting out our recommendations, we have addressed each of these matters in turn. We start with the **mission** of cathedrals as this frames their existence and activities and should underlie everything that they are and do.
58. From this, we move to considering what should be the optimum **governance framework** for a cathedral. A good governance framework for a cathedral only operates effectively if it is supported by a clear **management structure**, so we address that next.
59. Strong **financial management** is crucial to a cathedral's current operations and future sustainability, so this forms the middle section of our report.
60. We then move on to two major areas of **risk** for cathedrals, namely major **buildings projects** and **safeguarding**.
61. All these questions of governance, leadership, financial management and risk sit within the context of mission and are intimately related to each other. Falling short in one area will inevitably undermine the effectiveness of other parts of the cathedral's activities.
62. Our conversations with a variety of stakeholders, as well as our own thinking as a group, have reinforced our conviction that specific action is required. This includes immediate changes to cathedrals' operations and processes, but also broader governance changes which will require legislation. We are aware that the latter will take longer, but we are optimistic that the General Synod and the UK Parliament will understand the reasons behind the recommendations we are making and wish to do everything they can to support a healthy future for the cathedrals sector.
63. Cathedrals can be more fragile than their enormous buildings might suggest. It has been our privilege as well as our responsibility in this generation to look at how they may be preserved and enhanced for the future.

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MISSION, ROLE AND ECCLESIOLOGY

The Mission, Role, and Ecclesiology of Cathedrals

Introduction

64. When the Howe Commission published its report 'Heritage and Renewal' in 1994, it began by stating that

*this is not the first age in which people have valued the monumental splendour of cathedrals without being entirely certain what they are for*¹.

65. A generation before *Heritage and Renewal*, the Dutch Reformed theologian Albert Van Den Heuvel gave an address at Coventry Cathedral in 1966 in which he expressed the complexity of expectations of a cathedral's roles somewhat poetically. He talked of a cathedral

*as a sign of pro-existence, a symbol of diversity in unity, a Pentecostal laboratory, a theatre of basic drama, a temple of dialogue, a centre of creativity, an academy of committed information, a clinic for public exorcism, an international exchange, a broadcasting station for the voice of the poor, a tower of reconciliation, a motel for pilgrims, a house of vicarious feasts, and the hut of the shepherd*².

66. More prosaically, the Cathedrals Measure incorporates the statement of purpose first articulated in the Care of Cathedrals Measure 1990, and re-iterated by *Heritage and Renewal*, that the cathedral is the 'seat of the Bishop and a centre of worship and mission'.

67. Since *Heritage and Renewal*, there has been a growing body of work attempting to unpack what this means, to articulate the role, mission and purpose of cathedrals, and to understand where they sit within the ecology of the Church of England.

68. Prayer and worship is at the heart of this. Cathedrals have been soaked in prayer for generations, and there is a continuing focus on prayerful and sacramental ministry, within a building full of the stories and symbols of Christian faith. A cathedral's priority for prayer and worship is fundamental to its purpose. It gathers around a praying community which is distinctive and easily overlooked. This is the beating heart of a cathedral, a rhythm of prayer, a cycle of worship, the 'opus dei' from which all other work flows.

69. There has been a tendency to separate this emphasis on prayer and worship from another role central to that of a modern cathedral – that of a tourist destination. But a fascinating research project initiated by the Centre for the Study of Christianity and Culture³ has demonstrated how this is a false separation.

70. A journey around a cathedral engages all the senses, and visitors to cathedrals of all sorts find themselves touched, or nudged or gripped by God. Those cathedrals which have re-established a ministry around their shrines have discovered the extraordinary transforming presence of this particular focus for prayer.

1 Heritage and Renewal p.3

2 Quoted in *Theology* Feb 1970 by M. S. Stancliffe, former Dean of Winchester

3 Pilgrimage and England's Cathedrals, Results published as *Cathedrals, Mission and the Power of Place: Past, Present and Future*. November 2017 Lambeth Palace

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71. The seminal Theos research on cathedrals '*Spiritual Capital*' picks up on this and points to the ability of cathedrals to convey a sense of the sacred to those on the edges of faith (or beyond it). It observes:

*Because the church, in particular the established church, has long been (understood as) an institution with clear and confirmed views on spiritual issues, it does not naturally inhabit the more liminal spiritual space that ever more people are occupying. While not necessarily unique in their position, cathedrals are an important exception to this – clearly and distinctly perceived as Christian, and as institutions, but at the same time understood as open spaces of spiritual possibility in which exploration and development of emergent spiritualities are made possible.*⁴

72. *Spiritual Capital* also details how cathedrals function as venues for civic, cultural and academic events; contribute to the local economy; engage in social action around issues of social justice; take a lead in inter-faith issues; enable communities to address community tensions; and act as a symbol of community identity. It concludes:

*"Few institutions today manage to combine a clear identity with a public profile that allows them to connect disparate sections of (an often diverse) community. Cathedrals are an exception."*⁵

73. All cathedrals have discovered the significance for the wider community of the spiritual capital that they engender, and therefore their power as creators of place. As one regular Hindu visitor to Leicester Cathedral put it,

this city is my city because this cathedral is my cathedral

74. Cathedrals have reordered not just their interiors, but also their precincts, contributing significantly to urban regeneration in cities which otherwise have struggled to maintain their identity.

75. The Working Group's consultation with the chief executives of local authorities was illuminating. Their responses demonstrated the huge 'place-making' impact of cathedrals. This comment was representative of many we received:

The cathedral plays a huge symbolic role in the city. The cathedral and its surrounding environs are at the heart of the city centre and the building is iconic to many. It is the premier tourist attraction in the city. ...Therefore, it is a driver for economic benefit and the local economy. The cathedral does have a significant impact on the image of the city and it probably plays a bigger role in shaping investment decisions and in shaping individual decisions on whether to move to the city than people perceive.

4 See THEOS, *Spiritual Capital: The Past and Future of English Cathedrals*, p. 55.

Available at:

<https://www.theosthinktank.co.uk/cmsfiles/archive/files/Reports/Spiritual%20Capital%2064pp%20-%20FINAL.pdf> ,

5 *Ibid.* p. 44

6 comment from research for Theos and Grubb Institute 2012

<http://www.theosthinktank.co.uk/files/files/Reports>

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76. This place-making function has meant, as Nicholas Henshall has noted⁷, that cathedrals have become an attractive brand, often understood better by the wider community than by the church.

77. *Spiritual Capital* concludes that cathedrals have a unique ability to 'connect' different, disparate and diverse people and communities:

The present and future of English cathedrals lies particularly in their ability to enable and sustain a range of connections – between the tourist and the pilgrim; between people and the traditions from which modern life cuts them off; between the diverse organisations and communities that share the same social and physical space and infrastructure yet never meet; and between a people who may be less Christian than their parents but are no less spiritual, and the God who made, sustains, loves and hopes for them to join Him at his table. ⁸

78. These are important findings. They need to be read alongside the much-heralded but no less significant statistics which confirm the numerical growth of cathedrals – both in terms of congregational attendance and visitor numbers. Linda Barley first detailed this growth, in her chapter 'Stirrings in Barchester: Cathedrals and Church Growth'.⁹ Her findings were then confirmed by the Church Growth Research Programme (October 2013).

79. The Theos research built on this platform. They found that congregational attendance had increased by 18% in the 10 years to 2015, almost entirely due to a very significant increase in midweek attendance. Alongside this, 27% of England's adult population visit a Church of England cathedral each year, and these visitors are not confined to any one particular demographic group (for instance 20% of 18-34 year-olds visit; 20% of lower socio-economic groups visit). These visitor numbers had increased by a staggering 37% in the previous 10 years alone.

80. These statistics tell a remarkable story. At a time of declining numbers and changing patterns of worship, cathedrals are bucking the trend in just about every conceivable way. There is something very precious here to celebrate, learn from, and hold on to. Cathedrals 'do God' in a way which is resonating uniquely with aspects of contemporary culture.

81. The Working Group endorses the extraordinary work and impact of cathedrals – their ability to grow the church, their contribution to the common good, and their capacity to re-imagine ministry within a broadly traditional setting. These are the Church of England's quinquennial goals, and cathedrals are demonstrating in a remarkable way how to address them by capturing the imagination of a post-religious culture.

82. All of this sharpens the edge of the questions in front of us: how can we protect the cathedral sector against the challenges posed by blurred governance and management structures, inadequate resources, and sometimes imperfect

7 Focuses of Prophecy? In *Holy Ground Cathedrals in the twenty-first century* ed Stephen Platten Sacristy Press 2017 p146

8 Ibid. p. 62.

9 BARLEY, Linda, 'Stirrings in Barchester: Cathedrals and Church Growth' in '*Church Growth in Britain: 1980 to the Present*', ed. David Goodhew. Farnham: Ashgate 2012.

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relationships, without damaging the delicate institutional ecology which has somehow managed to produce such a stunning set of outcomes in the first place?

83. To put it another way – in the description coined by the Archbishop of Canterbury when he was Dean of Liverpool (and adopted as a mantra by many cathedrals subsequently), if a cathedral is a

safe place to do risky things in Christ's service,

how can we strengthen governance without undermining the missional and entrepreneurial context within which cathedrals seem to flourish?

84. The Working Group has been very conscious of not wanting to leap to instrumental solutions without attempting to engage with some of the key ecclesiological aspects of a cathedral's life. Partly this was because we needed to understand some of the theological (as well as historical) reasons for the way that cathedrals have developed their structures of governance, but partly it was also to try and discern if there is anything we need to guard if cathedrals are to continue to be pioneers in mission for the Church of England.

Ecclesiology

85. It struck the Working Group almost immediately how little work seems to have been done on the ecclesiology of cathedrals. Yet this is an essential question to engage with, because it lies behind the different expectations that people have about what a cathedral is and how it engages with some of the key constituencies in its shared life.

86. Peter Atkinson, in Stephen Platten's new book, identifies (at the end of his chapter on 'cathedrals at prayer'), six ecclesial identities that are present in a modern English cathedral:

1. Cathedral as seat of the bishop
2. Cathedral as monastery
3. Cathedral as 'college' or 'foundation'
4. Cathedral as quasi-parish church community
5. Cathedral as shrine
6. Cathedral as virtual church, addressing a global congregation

87. He sees each identity as a 'palimpsest', "superimposed on the previous ones, modifying them but not effacing them" ¹⁰

88. These multiple identities create an ambiguity which cathedrals have always valued, but it is a complexity that those outside the cathedral world often find confusing. This is important, because if we only hold a limited concept of a cathedral's identity in our minds, it may seem obvious to us that certain things need to be prioritised or emphasised, but they may only reflect a small part of the 'bandwidth' which attaches to a cathedral. Yet as we have seen, the ambiguity of a cathedral – the unacknowledged, unobserved or badly understood aspects of its identity – is part of its gift.

¹⁰ ATKINSON, Peter, "The Cathedral as Shrine" in PLATTEN, Stephen and FIELD, Frank, eds., *Holy Ground*. Durham, Sacristy Press, 2017 p135

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89. If the fundamental identity is as the seat of the bishop, this is the place to begin an exploration of a cathedral's ecclesiology.

90. In his retreat addresses to the 2008 Lambeth Conference, then-Archbishop Rowan Williams explored the role of the bishop as having to do with representing "the gathering Christ". He said:

"If we are indeed in that place where we stand for "the gathering Christ", that place where we show forth a humanity in which life and suffering flow together, then we are never going to be just the servants of this group or that group, this individual or that individual. And in so doing we say to the world "this is the Church of God, not a sub-department of this nation or this cause." The bishop is therefore someone around whom it should be possible to see what the Church is....What if we are meant to be a sign of that unity in which there are no defensive boundaries between the life and pain of diverse people and communities? What if we are meant to be signs of that unity where, in Christ and through the Spirit, human lives flow together to announce God's glory?"

91. This 'gathering' role is helpful in clarifying the role of the bishop and the nature of a diocese. It suggests that the primary task of a cathedral is to be the focus of this gathering role and gives meaning and content to the definition of a cathedral as the seat of the bishop and a centre of worship and mission. And Rowan Williams' description of this role bears an uncanny resemblance to the visible mission of cathedrals explored and endorsed by *Spiritual Capital*.

92. The 1961 report '*Cathedrals in Modern Life*' refers to cathedrals as

the visible counterpart of the episcopal system –

93. This accords well with the notion of bishops representing the 'gathering Christ', and cathedrals as places which express this.

94. The Working Group was greatly helped in its ecclesiological thinking by Professor Simon Oliver's essay, now published in *Holy Ground*¹¹ and by his presentation to the group in September, both of which build on this idea of a 'gathering' role. With permission, we reproduce the text of his presentation in full here

¹¹ Cathedrals and Rooted Growth in Stephen Platten (ed), *Holy Ground: Cathedrals in the Twenty-First Century* (Sacristy Press, Durham 2017)

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To understand the theology of the cathedral we must understand the episcopal nature of the Church.

The apostles possessed authority in the earliest Christian communities because they were eyewitnesses to Christ's life, death and resurrection. St. Paul possessed authority by virtue of his extraordinary conversion. When the generation of the apostles ends, who has authority and who is going to teach? How can the Church of successor generations know that it is one and the same Church of the apostles? Via the laying on of hands and the transmission of authority which is born of service. At first, the overseers (episkopos) and elders (presbuteros) are not clearly distinguished. By the early second century, they are distinct orders of bishop and priest.

*Episcopate answers the question concerning **how the unity of the Church across time is to be maintained**. This is why the Anglican, Orthodox, and Roman Catholic Churches preserve the **historic** episcopate—the episcopate extending back through time via the laying on of hands—to preserve and make visible the unity of the Church across time. Other communions (e.g. the United Methodist Church in the US) have bishops, but they are not part of an **historic** episcopate. Their role is functional or managerial rather than sacramental.*

The unity of the Church across time refers to the inseparability of the Church in the present age from the Church of the apostles and the oecumenical councils of the first six centuries. In other words, the Church established by Christ upon the rock of Peter is one and the same Church of which we are members today.

*The early Church also faced another challenge. Because Christianity is both particular and universal, **it traversed cultural boundaries very quickly**. Christianity is not for anyone in particular. It is not unified racially as with Judaism. Initially, it seemed to unite both Hellenistic and Hebraic cultures as it spread across the Mediterranean. **St Paul's letters are in large part focused on the question of how one preserves the unity of the Church's witness in the face of ever-increasing cultural diversity and geographical spread**. In the second century a response to this question was to appoint a distinct order of overseers with a shepherding and teaching office which was focused particularly on the building up of the one body of Christ.*

*But the unity of the Church in this kind of context cannot rest on everyone agreeing to a set of very particular propositions. Even grounding the unity of the Church on the proclamation of scripture is problematic because interpretations of scripture vary. In any case, for the first three centuries of the Church there was no single thing called 'scripture' or 'the Bible'. The unity of the Church is a gift of the Spirit rather than something of our own making. Because we are physical, corporeal beings who do not exist only in the realm of ideas and propositions, **the unity of the Church has to be made visible**. We must be able to see that unity in such a way that it transcends the opinions and predilections of individuals, or a particular locale, generation, or culture. For Roman Catholics, the unity of the*

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Church is most particularly visible in the Pope. For Anglicans and Orthodox it's in the bishop and the provincial primus or Patriarch.

The episcopate therefore makes visible the unity of the Church across time (historically) and space (e.g. culture and geography).

One of the most important aspects of episcopal ministry, therefore, concerns the protection (an important aspect of shepherding) of the unity of the Church in obedience to Christ's prayer and St Paul's teaching (John 17. 20–24; 1 Corinthians 12. 12–31). The cathedral, in being first and foremost the seat or cathedra of the bishop, shares in the ministry of gathering and unifying the Church in a visible fashion. The cathedral is the place from which the bishop oversees and teaches—it is the platform from which the bishop can address God's people and minister to their needs. As the bishop presides at the Eucharist in his or her cathedral, we have a threefold sacramental visibility of the unity of the Church.

Within Anglican polity, the bishop has no formal jurisdiction within his or her cathedral. The bishop does not possess the cathedral by canonical or juridical right. The people of God invite the bishop's oversight in the gift of the cathedral from which he or she sends and leads as a labourer in the vineyard.

*This is what it means for the cathedral to be the focus of mission – not in the sense that it has the biggest congregation with the best young adults' course or music to show all the parish churches how it ought to be done (that would be too elitist), but in the sense that it is the place where the bishop gathers, ordains, baptises, confirms, hears the renewal of ordination vows, commissions and teaches to **send out** labourers into the harvest. In that sense, it is a **fount** of mission.*

*This theology of the cathedral is the basis of the wider role of cathedrals in fostering and making visible a **local, national, or global unity**. Today's cathedrals have numerous stakeholders and are the locus for countless gatherings of civic and cultural importance: funerals of important public figures, the remembrance of war or local tragedy, thanksgiving for civic and commercial success, public debate, and cultural celebration.*

*Durham Miners' Gala and a service for the Courts of Justice take place in Durham Cathedral on consecutive days. Both are attended by more than a thousand people. Both are politically potent symbols of, respectively, trade unionism and industry, and the Queen's peace preserved by the rule of law. **The Bishop presides at both and a sermon is preached.** The gathering and unifying ministry of the cathedral is part of the Bishop's oversight of all people and the furtherance of unity and peace. As such, the cathedral realizes the catholic nature of the Church because it reaches out and gathers all people across civic society, convinced that there is no place in which the Church does not belong.*

*The gathering and unifying ministry of cathedrals is not grounded in a political, cultural, or economic consensus, but in the prayer of Christ that God's people be one as he and the Father are one. In the Church of England, it serves ecclesial **and** civic unity.*

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We can think about this via the classic Anglican via media. Is the via media just a compromise? No – it's about having a centre or 'middle' (Christ) which comprehends the whole¹².

The Church, therefore, is a via media because it has a centre that gathers everything to itself and comprehends the whole. The diocese has the particular centre of its ministry—not a geographical but a theological centre—in the cathedral and the figure of the bishop who teaches and shepherds from the cathedra. The cathedral is an expression of the Anglican via media in which the middle is Christ, not in terms of compromise but in terms of comprehension, for Christ "fills all in all" (Ephesians 1. 23).

95. This 'gathering and unifying' approach is a helpful theological construct for aligning the ministry of bishop and cathedral, and it clearly reflects the way in which cathedral ministry is received, welcomed and understood by many within church and civil society in today's world. The Working Group, recognising that it is clearly not the final word on cathedral ecclesiology, urges cathedrals to work with the national Church, Theological Education Institutions and universities to develop this ecclesiological thinking further, and we welcome the work that the AEC is currently engaged on to this end.

96. These insights have guided our thinking about governance, and in particular the fundamental question of who governs a cathedral. For, as Simon Oliver concludes:

*We must be mindful of the unity of the cathedral itself. The cathedral is, as it were, an organism. It is a single body.its **praying heart is also its governing heart – the Chapter**. This is not clericalism because the Cathedrals Measure allows for up to seven external lay members of Chapter which, in any cathedral, would give a majority. But it does mean that.....the Chapter unifies the cathedral.*

97. Equally, we believe that these initial observations about ecclesiology enable us to comment on some of a cathedral's key relationships.

Bishop and Diocese

98. The nuances in the relationship between a diocesan bishop and their cathedral are of course a reflection of the deep historical currents that flow between cathedrals and dioceses, deans and bishops. For some people, this represents a vital part of the ecology of a healthy organisation, offering an imaginative way of holding and

¹² See Edmund Newey, 'The Covenant and the *Via Media*: Compatible or Contradictory Notions of Anglicanism?' in Benjamin Guyer (ed.), *Pro Communion: Theological Essays on the Anglican Covenant* (Eugene, OR: Pickwick Publications, 2012). Newey points to a sermon preached by Lancelot Andrewes at around the time he was translated from Chichester to Ely in 1609 in which he described the Church of England's middle way. In summary Andrewes viewed Christ as mediator *not by compromise but by comprehension*. This comprehensive ministry does not just have a horizontal dimension, reaching out to all humanity, but also a dimension beyond immediate space and time, linking heaven to earth. This typifies the ecclesiology and so the mission and ministry of cathedrals as they reach out to their communities seeking to invite everyone to discover God in Christ.

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processing unresolved contradictions within the ecclesial community, and allowing the cathedral to act and speak from

*a creatively marginal place in relationship both to the institutional structures of the church and to the wider networks of society*¹³

saying and doing things which nobody else can.

99. On the other hand, these nuances can be regarded as creating an unhelpful and confusing structural division between the life and mission of a cathedral and the bishop (and diocese) it serves. Some people think that cathedrals have used arguments about independence as a convenience to progress their own agenda without reference to the broader strategic context of bishop and diocese. The Howe Commission recognised the importance of a degree of functional autonomy for a cathedral, but also stated that

there is no need for the independence of cathedrals to be regarded as a kind of balance in ecclesiastical polity. ¹⁴

100. If independence becomes a means of protecting a cathedral against unwelcome external intervention, it suggests that something has already fundamentally broken down in the vital network of relationships that a cathedral inhabits. But a degree of structural independence or ambiguity might also contain something important that may be too easily lost.

101. There is a piece of liturgical theatre at the beginning of a bishop's ministry which tries to capture this delicate balance. Before a bishop is installed in their cathedra at the start of their episcopate, by tradition they have to knock three times on the closed door of the cathedral. It is a piece of liturgical symbolism, a powerful reminder to the incoming bishop that they enter the cathedral by invitation (receiving it as a gift).

102. The Working Group recognises the tensions in the current arrangement but wants to view this positively. We want to encourage bishops to make full use of the powers they already possess under the Cathedrals Measure, working together with deans to utilise the significance of the cathedra in the liturgical, teaching and missional life of the Diocese.

103. We want to endorse some fundamental principles as cathedrals and bishops work out the implications of this together:

- Diocese and cathedral are part of one body, working together for the proclamation of the Kingdom
- If cathedrals are to be effective as the key locus of the ministry of "the gathering Christ", expressed through the ministry of the bishop, then an open, robust and mutually supportive dialogue between bishop and dean is a prerequisite of missional leadership in the diocese. Bishops and deans are not leaders of two competing systems or fiefdoms within the diocese but essentially partners in their respective roles

¹³ HENSHELL, Nicholas, "Focuses of Prophecy" in *Holy Ground*, ed. Stephen Platten. London, Sacristy Press, 2017.

¹⁴ *Heritage and Renewal*, p. 7.

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- If the Church's mission is primarily expressed in the non-defensive gathering of differences, then key diocesan occasions which take place in cathedrals (ordinations, confirmations, etc) will be arranged and ordered to give expression to this missional imperative; and if the bishop is to sustain this gathering role in an increasingly fragmented and divided culture, then the spiritual and pastoral resources of the cathedral are an essential support and base for his or her ministry
- Gatherings of individuals and organisations from civil society for anniversaries, celebrations and commemorations in the cathedral point people towards that essential diversity which is at the heart of the life of the Kingdom of God

104. We are encouraged by the ways in which cathedrals and dioceses have committed to work together more closely in recent years, including the desire to align strategies, attempts to co-locate various back-office functions or share staff where possible and appropriate, and the many examples of mutual support in mission and ministry that we have encountered.

105. In a number of cathedrals, the dean and residentiary canons take on significant structural roles in the diocese and commit to leading and preaching in parishes on a regular basis. Opportunities are taken within a cathedral's constitution and statutes to appoint diocesan clergy and staff to governance roles in the cathedral's structure. All of this strengthens the mutuality and collaboration between the diocese and cathedral. We hope this will continue and develop further.

106. We have heard from many bishops a discomfort with the role of Visitor as it currently operates, casting them rather distantly and unhelpfully as 'judge' in their relationship with the cathedral. We have tried to address this in the following section on governance.

National Church Institutions (NCIs)

107. There is a need for increased clarity about the relationship of the NCIs (including the Church Commissioners) with cathedrals. An ecclesiological reflection on the place and role of the NCIs generally is beyond the scope of this report, but the (necessary) intervention by the Commissioners to resolve the problems at Peterborough Cathedral revealed significant role conflicts and confusions both within the NCIs, and between the NCIs and the role of the bishop, which have left a broader legacy of uncertainty and even mistrust.

108. This needs to be addressed as a matter of urgency, and the Working Group was encouraged at the healthy engagement that already seems to be emerging following events at Peterborough and Exeter. Far more can be done to develop a closer relationship between cathedrals and the NCIs to everyone's mutual benefit, and elsewhere in our report we suggest a number of practical areas of work, which might additionally include:

- Greater clarity about, and development of, the remit of the Third Church Estates Commissioner to provide oversight of the link between the Church Commissioners and cathedrals, including the work of the Association of English Cathedrals (AEC) and the Cathedrals Administration and Finance

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Association (CAFA) 15.

- Revision of the Terms of Reference for the Cathedrals and Bishoprics Committee of the Church Commissioners to enable the Third Church Estates Commissioner and Commissioner Deans to resource the committee in its work of reviewing, funding and developing the work of cathedrals
- An audit by the new Cathedrals Liaison Officer of the work currently provided by the NCIs to resource and regulate cathedrals and an assessment of how this work should develop in service of the mission of cathedrals

109. The tension in adopting this closer working relationship will always be around the nature of any intervention. A far closer relationship between cathedrals and the NCIs would bring significant benefits in all sorts of ways, but it would be ecclesiologicaly problematic if the NCIs possessed a statutory right to intervene in a bishop's cathedral, without the bishop inviting them to do so.

Summary

110. The growth of cathedrals (in congregational numbers, visitor numbers, and influence in the public square) is highly encouraging at a time when the Church of England is attempting to re-orientate itself around mission.

111. Ecclesiologicaly, the relationship with the bishop is fundamental to this, and we suggest that a vision for bishops as 'representatives of the gathering Christ' could go a long way to inform an understanding of the way in which cathedrals can be fully integrated and aligned with their role as the seat of the bishop and a centre of worship and mission for the diocese.

112. This is a shared vision for the mission of cathedral and bishop that bears an uncanny resemblance to what God already seems to be doing in and through the life and ministry of cathedrals.

List of recommendations

The Working Group makes the following recommendations:

- i. The Church should encourage and commission further work on the ecclesiology of cathedrals and their relation to bishop, cathedral, diocese and the NCIs
- ii. Bishops should be encouraged to make full use of the powers they already possess under the Cathedrals Measure, working together with deans to utilise the significance of the cathedra in the liturgical, teaching and missional life of the Diocese
- iii. There should be greater clarity about, and development of, the remit of the Third Church Estates Commissioner to provide oversight of the link

15 This recommendation is now being addressed in the role description for the new Third Church Estates Commissioner, which includes the requirement: *To develop links with Cathedrals so that the national Church might better understand their needs;*

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between the Church Commissioners and cathedrals, including the work of the AEC and CAFA

- iv. There should be a revision of the Terms of Reference for the Cathedrals and Bishoprics Committee of the Church Commissioners to enable the Third Church Estates Commissioner and Commissioner Deans to resource the committee in its work of reviewing, funding and developing the work of cathedrals
- v. There should be an audit by the new Cathedrals Liaison Officer of the work currently provided by the NCIs to resource and regulate cathedrals and an assessment of how this work should develop in service of the mission of cathedrals.

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The Governance of Cathedrals

Introduction: Current governance arrangements for Cathedrals

113. Under the Cathedrals Measure there are three bodies established for each cathedral but only one of them is directly responsible for the governance of the cathedral:

114. The executive body which has the general control of a cathedral is **the Chapter**. The main function of the Chapter is “to direct and oversee the administration of the affairs of the cathedral”. It consists of the dean and all the residentiary canons and a number of other persons, at least two-thirds of whom must be lay.

115. Particular functions of the Chapter include—

- ordering the worship and promoting the mission of the cathedral
- formulating proposals for the general direction and mission of the cathedral (after consultation with the bishop and with the advice of the Council)
- preparing the annual budget
- submitting an annual report and accounts to the Council and the College of Canons
- keeping the constitution and statutes under review
- managing and maintaining the cathedral’s buildings and managing its assets

116. Every cathedral also has a **Council**. The main function of the Council is “to further and support the work of the cathedral, spiritual, pastoral, evangelistic, social and ecumenical, reviewing and advising upon the direction and oversight of that work by the Chapter”. The Council is chaired by a lay person appointed by the bishop. The other members of the Council include the dean and no more than five other members of the Chapter, two members of the College of Canons, four elected members representing the cathedral community and between five and ten appointed members.

117. Particular functions of the Council include—

- advising the Chapter on the general direction and mission of the cathedral
- receiving from the Chapter and considering the annual budget, annual accounts and annual report
- considering proposals submitted by the Chapter relating to the revision of the constitution and statutes
- revising the constitution and statutes (with the consent of the bishop)

118. **The College of Canons** is made up of the dean, the suffragan bishops of the diocese, all of the canons of the cathedral (residentiary and non-residentiary, ordained and lay) and all of the archdeacons of the diocese. The functions of the College of Canons are—

- electing the bishop in accordance with the Appointment of Bishops Act 1533
- receiving and considering the annual report and accounts of the cathedral

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- “discussing such matters concerning the cathedral as may be raised by any of its members”.
119. **The diocesan bishop** has a specific role in relation to the cathedral:
- the bishop is entitled to attend and speak, but not vote, at meetings of the Council;
 - the bishop is entitled to be consulted by the Chapter about the general direction and mission of the cathedral;
 - the bishop is the Visitor of the cathedral and has various quasi-judicial powers in that capacity;
 - the bishop’s consent is required for any revision of the constitution and statutes.
120. **The dean** has, in addition to being a member of the Chapter, specific duties. As “chairman of the Chapter” it is the dean’s duty “to govern and direct on its behalf the life and work of the cathedral”. Particular duties of the dean include–
- ensuring the performance of divine service
 - ensuring observance of the constitution and statutes
 - securing the pastoral care of members of the cathedral community
 - taking decisions to deal with emergencies pending consideration by the Chapter.

Issues with the current arrangements

121. A typical charity has a trustee body setting strategy, policy and direction, overseeing the work of an executive team, whose role is to lead and manage the charity’s staff and resources to deliver the strategy. Cathedrals do not conform to this simple model, with a ‘Russian Doll’ of constituencies and bodies (Council, Chapter, College of Canons, clergy, management, cathedral community, volunteers, external stakeholders, etc) with overlapping membership and often unclear responsibilities, and Chapters whose membership includes a number who hold both executive roles and governance responsibilities.
122. The complex nature of a cathedral’s governance structure gives rise to some specific problems:
- **Governance and Management become blurred and conflated** in many cathedral Chapters. A lack of distance between these two functions can result in there being insufficient checks and balances in place, and the loss of effective accountability
 - The day to day involvement of a significant proportion of Chapter members in the operation of the cathedral can result in what auditors call ‘**self-review threat**’
 - Chapter members can be unaware that they carry the equivalent responsibilities of charity trustees. This can result in an **unwillingness – or an inability – to bring sufficient challenge** or scrutiny to Chapter plans
 - There is a **lack of effective independent scrutiny**. In part, this is a function of the lack of separation between governance and management, but there

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are other reasons as well – including the designation of finance committees as purely ‘advisory’, the lack of teeth given to Councils in their scrutiny role, and the absence of any independent body to act as a regulator

- There is **no effective power of intervention** when something has gone wrong, except for Visitation. The governance structure does not seem to allow for effective external intervention to take place at an early juncture when problems arise
- The Church Commissioners have very limited powers in relation to cathedrals, there is no national church body operating as a ‘cathedrals commission’, and cathedrals are not charities within the meaning of the Charities Act 2011 (they are not regulated by the Charity Commission), so there is **no over-arching regulatory framework for a cathedral**
- The **role of the Cathedral Council is unclear**. This point came up repeatedly in the consultations. The 1999 Cathedrals Measure watered down the recommendations of the Howe Commission relating to Cathedral Councils, which has resulted in the confusion of a body that is given advisory/scrutiny responsibilities but no power to enact them
- Members of the Cathedral Council and College of Canons are both part of the Cathedral’s ‘body corporate’ but have **no control** over it

123. The Bishop of Peterborough’s Visitation Charge picked up on a number of these problems, highlighting in particular:

- The lack of expertise or power within the Council and College of Canons to scrutinise or mount any effective challenge to Chapter
- The lack of external scrutiny – and therefore accountability – for a Chapter’s actions (Church Commissioners, Charity Commission, diocese, bishop)
- Independence leading to unnecessary or unacceptable degrees of risk

124. In seeking to address the deficiencies in the current arrangements, the Working Group considered approaches which essentially left the governance structure untouched, but incorporated a range of non-legislative proposals to improve the way in which these structures work.

125. A number of people called for us to do this, partly on the basis that there may be little appetite for legislative change, but mainly because they felt that the current arrangements **could** be made to work. They highlighted the importance of relationships within any governance structure, and pointed to the fact that in a majority of cathedrals the current structure seems to be working sufficiently well. There was an honest acknowledgement that much more could be done to improve things, and a recognition that Good Practice Guidelines and Codes of Conduct would be very welcome, but essentially the view was that the Cathedrals Measure is ‘good enough’.

126. The Working Group agreed that there are some excellent examples of cathedrals which have taken the recent challenges to heart and have made real progress in the practice of their governance arrangements. We want to endorse the work of the AEC on a self-evaluation framework for Chapter, and the forthcoming Peer Review process alongside this, and welcome all of the non-legislative steps that are being taken already.

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127. These are welcome and necessary steps, but as a Working Group we do not feel they are sufficient. The inadequacies of the current structure are too serious to leave to good practice guidelines. It would be too easy for some to comply and others to ignore.
128. Equally, the Working Group took careful stock of the voices calling for a radical change to the governance arrangements, and considered a range of models which created a governing body **above** the Chapter, with the dean essentially running Chapter as an Executive Team (and the dean as CEO).
129. On balance, however, we felt that a secular governance structure of this nature would leave too many significant issues to resolve:
- How does the collegial and residential role of the clergy fit in to this structure? If the essential nature of a cathedral is formed by the rhythms of a community at prayer and worship, how is this expressed in a secular model of governance?
 - If everything within the ambit of a cathedral is the responsibility of the governing body, this must include worship. But for the governors to direct the pattern or form of a cathedral's worship would be an inappropriate crossing of boundaries
130. It was, ultimately, a consideration of a cathedral's ecclesiology which led us conclude that **it is necessary and correct to retain the Chapter** as the governing body of the cathedral, exercising trustee responsibility. This becomes a foundational aspect of our proposals on governance: the governing body of a cathedral should continue to be based on a resident 'praying community' centred around the dean and residentiary canons.

Recommendations

131. However, this is not to leave the governance arrangements as they are. The Working Group proposes some **significant changes to the current structures**. The group wants to reiterate that its proposals have to be taken as a whole as it is only in this way that they represent a properly balanced governance package. No one aspect of the recommendations relating to governance stands on its own and it is not possible to cherry pick particular aspects of the proposals.
132. The Working Group agreed that there is a clear need to distinguish between the functions of **governance** and **management** within a cathedral. The governance function is principally concerned with the taking of strategic decisions, setting the cathedral's mission objectives and seeing to it that they are being effectively implemented and that the cathedral as a whole is being run properly and effectively. The management function is concerned with operational matters arising from the implementation of the Chapter's objectives. Responsibility for the exercise of these different functions should be clearly demarcated.
133. Any institution only operates effectively if it is supported by a strong **management structure** with clear reporting lines and accountabilities. The Working Group took the view that all cathedral staff and clergy should report ultimately to the dean. A more detailed analysis of this management structure is included in the following chapter in our report.

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134. With these broad principles as the backdrop, the governance model proposed is as follows:

135. **The Governing body** of a cathedral should be a Chapter comprising the dean and residentiary canons, and a majority of 'non-executive' members.

136. In order to ensure effective governance and operation, it is anticipated that a Chapter would comprise at least eight but not normally more than twelve members as follows:

- The dean would chair the Chapter. While this represents a different approach from many secular governance models, we think it is ecclesologically important for the dean to chair the Chapter, and consistent with other areas of Church practice where, for instance, the bishop chairs their Council and Diocesan Synod and an incumbent chairs their Parochial Church Council.
- The Bishop should appoint one senior independent lay member of Chapter as Vice Chair
- The dean and residentiary canons would form a minority of the members of the Chapter
- The non-executive members would be appointed by the Chapter itself but subject to the approval of the bishop. The Chapter should have a Nominations and Development Committee to facilitate this.
- At least two-thirds of the non-executive members would be laity.
- The non-executive members and senior independent lay member nominated by the bishop would serve for time-limited terms of office which would normally be renewable but which would not usually exceed a total period of 10 years.
- There would be a requirement for non-executive members to be practising Christians but not necessarily communicant Anglicans.
- Of the non-executive members, at least one must have current, relevant financial expertise; others would be appointed because they have relevant and current expertise in areas identified as appropriate to the cathedral, such as risk and property management, and can bring different experiences and skills to increase the diversity of the Chapter.
- The cathedral's Chief Operating Officer (formerly Administrator) and Chief Financial Officer would attend in an advisory capacity. We realise that in some cathedrals the Cathedral Administrator is already a member of Chapter, but we do not think such an arrangement is sustainable under the new arrangements because it unhelpfully obscures the difference between governance and management responsibilities, and can potentially create a conflict of interest.

137. Consideration should be given to creating regional lists, facilitated by a national Church body, of suitably qualified people who would be willing to serve on cathedral chapters and sub-committees, to assist cathedrals in making appropriate appointments, especially where sufficient candidates are not identified locally.

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138. The new-style Chapter is deliberately not intended to represent particular interests but to provide the required governance expertise. The appointment of Chapter members is crucial if it is to function effectively. Cathedrals will therefore need to address elements of their constitution and statutes which currently allow for the appointment of Chapter members on the basis of representation alone.
139. In order to make a clear distinction between governance responsibility and management, the Chapter would establish a **Senior Executive Team** which would be responsible for the day-to-day running of the cathedral under the oversight of the Chapter.
140. The **Senior Executive Team** would comprise the following individuals:
- Dean
 - Chief Operating Officer
 - Chief Financial Officer, and
 - other appropriate persons, including departmental heads, both clerical and lay.
141. The Senior Executive Team would have an operational focus. It would meet relatively frequently (at least monthly), the Chapter relatively infrequently (perhaps 4 times a year).
142. The Chapter would be the corporate body of the cathedral. The members of the **Council** and of the **College of Canons** would accordingly cease to be members of the corporate body.
143. The Chapter would be given the power to make changes to the constitution and statutes, subject to approval by the bishop and a national Church body.
144. The Chapter would continue to be required to appoint a finance committee, but with a broader remit. This committee would be known as the **Finance, Audit and Risk Committee**; the current description of the committee as 'advisory' would be removed. The committee would be chaired by a non-executive Chapter member and would provide oversight of the activities of the cathedral and its management in the areas within its remit. The scope of the responsibilities of this committee, together with pro forma Terms of Reference, are set out in Annexes D and E.
145. We recognise that it is best practice to have an Audit and Risk Committee separate from the Finance Committee, and this is recommended where sufficient resources of the necessary calibre and experience are available in a cathedral's locality. However, the Group appreciates that this could present practical challenges for some cathedrals.
146. The chair of each committee would report formally to Chapter and minutes of all committee meetings would be provided to Chapter.
147. The **Diocesan Bishop** would:
- remain the Visitor (but see below on visitation) and retain the role of approving amendments to the constitution and statutes
 - appoint one senior independent lay member of the Chapter as Vice Chair

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- have the right of approval in respect of the other non-executive members of the Chapter
 - have the right to attend Chapter meetings and be expected to attend at least one Chapter meeting each year
 - appoint residentiary canons (subject to the approval of the dean) except where these are Crown appointments
 - receive the statutory annual report and financial statements of the Chapter
 - commission a quinquennial assurance review and receive its report.
148. **The Council** would be reconstituted to act as a forum for stakeholder engagement with the wider community and civil society. It would cease to have functions of reviewing and advising on the direction and oversight of the work of the Chapter. The number of Chapter members on the re-constituted Council would be reduced. In the case of a parish church cathedral, the composition of the Council would reflect parish as well as diocesan interests.
149. Almost every consultee recognised that under the Cathedrals Measure the Council is in an invidious position – part of the body corporate but without any real powers of intervention.
150. In reaffirming the Chapter as the governing body, the Working Group felt that it was important to clarify a different role for Council that made sense in relation to the wider governance structure and relationships. The proposal is therefore to remove the Council’s scrutiny and advisory roles so that it can focus on stakeholder engagement, which is where it seems to function best.
151. We are aware from some of our consultations that there is a great deal to be done in stakeholder engagement, given the huge importance that most cathedrals have for their communities, including secular authorities and other civil society groupings. By focusing the Council on leveraging relationships, we believe that this would be a significant contribution to enhancing the mission of the Cathedral in the diocese and local community.
152. In saying this, we are not in any way seeking to undermine the many committed and able members of existing Councils. We want to pay tribute to Council members in their efforts to make the current system work, and we are aware that many members of Councils offer invaluable professional skills to the dean and the Chapter, including offering financial advice and sitting on appointments panels.
153. The Working Group recognised that certain appropriately skilled and experienced Council members might migrate into governance roles on the new-style Chapters under the new arrangements.
154. The Working Group also recognised that **the College of Canons** occupies an unusual place under the current Measure. While there is a valuable role to be played by the College, it does not seem appropriate for its members automatically to be part of the corporate body of the cathedral.
155. We do recognise that the College of Canons provides an important link with the wider diocese and we suggest that this, rather than governance, should be its focus. In particular, it can provide a bridge between the diocese and cathedral,

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the bishop and the dean and so has a very important contribution to make to the cathedral's status as the gathering point for the diocese.

156. It will be up to each individual Chapter to decide how best to use its College of Canons, based on the needs and particular circumstances of the cathedral and diocese. The College of Canons would therefore continue to exist but its functions – other than the election of the bishop – would not be prescribed. Instead it would have such functions as were conferred on it by the Chapter.
157. A **quinquennial assurance review** would be undertaken for each cathedral at least once every 5 years. The bishop would commission the assurance review and nominate the team after consultation with the dean, and receive its report. The objective of the review would be to provide assurance that appropriate governance, management, financial and operational controls are in place and operating effectively.
158. The review (equivalent in substance to an internal audit) would be undertaken by a small team drawn from the finance and operations functions of other cathedrals and the national Church, with a view to identifying and sharing best practices, as well as any areas for improvement. The starting point for the assurance review would be the cathedral's most recent AEC Peer Review Process Self-evaluation questionnaire and financial reports. The assurance review report would be provided to the bishop and copied to the Chapter and to the national Church. A non-routine review could be requested by the bishop if considered necessary.
159. **Visitation** would remain as a formal legal enforcement and dispute resolution mechanism but would not in practice be used as the normal means of reviewing and bringing about improvements in financial or other governance matters. It would be available to resolve disputes of a specifically legal nature (for example as to the construction of, or disputes arising under, the constitution and statutes) in which case the bishop would normally be expected to commit its exercise to an ecclesiastical judge.
160. **Residentiary canon appointments** should be made subject to the approval of the dean. Residentiary canons should report to the dean as their line manager as part of the new management structure we recommend elsewhere in this report. We expand on these arrangements in the following chapter.

Parish church cathedrals

161. There appears to be a misconception in some places that the 1999 Cathedrals Measure abolished any distinction between the old 'dean and chapter' cathedrals and parish church cathedrals. Under the 1999 Measure, parish church cathedrals are governed by a Chapter in the same way as the former dean and chapter cathedrals, the Chapter of a parish church cathedral having taken over the functions that were once exercised by the parochial church council. However, a number of legislative provisions concerned with parishes and parochial church councils continue to apply to parish church cathedrals – including the Church Representation Rules, the Parochial Church Councils (Powers) Measure 1956, and the Churchwardens Measure 2001 (in each case subject to certain modifications).

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162. We have been told that a number of parish church cathedrals had wrongly assumed that the Churchwardens Measure 2001 and the Church Representation Rules did not apply to them, with the result that they had not been operating the legislation relating to parishes. While this is understandable, it is undesirable that legislative requirements should be imposed if they are not being met.
163. The view of the Working Group is that these complications for parish church cathedrals should be removed so far as possible. We consider that parish church cathedrals should not be subject to the provisions of the Church Representation Rules or other legislation relating to parish governance.
164. One option to achieve this would be to legislate so that this legislation did not apply to cathedral parishes at all. This would be the most straightforward approach in legislative terms, but we are aware that the parish ministry of some cathedrals is a particularly important aspect of their ministry as a whole; and the position of their parishioners needs to be taken account of, not least in relation to being provided with the occasional offices.
165. An alternative approach would therefore be to give each parish church cathedral the power to disapply provisions of the legislation relating to parish governance if it wished to do so. The Group has not tested these possibilities with parish church cathedrals and would welcome their views as this report goes out to public consultation.

Charity Commission regulation

166. Regulation of cathedrals by an external body can only be effective if it forms part of a broader context of good governance and oversight.
167. At present, the Church Commissioners have a limited regulatory role for cathedrals with regards to the use of endowments, the acquisition of land and certain other matters. This does not constitute an holistic regulatory regime and has not prevented cathedrals from experiencing financial difficulties and governance failings. In consultation, the Church Commissioners have made clear to us that they would prefer **not** to have a regulatory role with regards to the cathedrals sector, preferring to operate as funders, advisers and partners of the sector, in the same way as they do with dioceses. Moving to Charity Commission regulation of cathedrals would help resolve the ambiguities of this current situation and enable the Church Commissioners to focus on their preferred role.
168. The absence of any external body with a regulatory role for cathedrals is an anomaly. The Working Group takes the view that the Charities Act 2011 should be amended so that cathedrals become subject to the jurisdiction of the Charity Commission. This would have a number of advantages both for cathedrals and for the wider church:
- It would recognise cathedrals' position as charitable institutions
 - It would place a requirement on cathedrals to comply with the reporting requirements for charities, thus increasing public confidence
 - It would give the public assurance that the Charity Commission had the power to take action in the event of poor administration or breach of trust by the charity trustees (i.e. the members of the Chapter)
 - It would provide greater clarity and assurance for those who make charitable

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donations to cathedrals

- It would require cathedrals to report 'serious incidents' to the Charity Commission
- It would bring the cathedral sector into line with other bodies in the Church of England such as PCCs, Diocesan Boards of Finance, the Church Commissioners and the Archbishops' Council, which are all subject to the Charity Commission's jurisdiction (although of course the requirement to order worship is a particular function of Chapters).
- It would assist cathedrals with regards to the registration and reporting on their Restricted Funds (which are already subject to the jurisdiction of the Charity Commission)

169. We are aware that as with any regulatory change there may be downsides. Bringing cathedrals within the jurisdiction of the Charity Commission will, to a limited extent, increase the administration cathedrals must carry out.

170. They would have to register and ensure that their registration details were kept up to date. However, this should not be onerous. A large number of parochial church councils have registered, in most cases without the administrative resources that cathedrals have.

171. Cathedrals would also have to comply with the reporting requirements for charities. This would normally involve submitting an annual report and accounts to the Charity Commission. These are documents which a cathedral should already be producing in any event and the normal reporting requirement should not therefore be problematic.

172. Cathedrals would need to report any 'serious incident' to the Charity Commission. A 'serious incident' is an incident that has resulted, or could result, in a significant loss of funds or a significant risk to a charity's property, work, beneficiaries or reputation.

173. Bringing charities within the scope of the 2011 Act would bring them within the coercive powers of the Charity Commission. Those powers include:

- instituting inquiries, carrying out searches and calling for documents;
- issuing official warnings to charity trustees;
- establishing a scheme for the administration of a charity;
- suspending or removing charity trustees, appointing an interim manager and appointing charity trustees;
- directing that specified action must be taken, or must not be taken, by the charity trustees;
- directing how property is to be applied.

174. In principle, the Charity Commission would have the power to remove members of the Chapter (or of any other trustee body that might be established for cathedrals).

175. The Charity Commission would receive considerable powers in relation to cathedrals which no secular authority has previously had. But if cathedrals are

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administered properly there should not be any need for the Charity Commission to exercise these powers. We believe that it is therefore essential that the new governance arrangements we suggest elsewhere in this report are put into effect, as they will ensure that cathedrals have appropriate structures and resources in place to make this new arrangement work effectively for all.

176. If Cathedrals become regulated by the Charity Commission, the Church Commissioner's powers of regulation should be abolished.

Summary

Governance issues have been a central aspect of the Working Group's deliberations. We recognise and accept many of the criticisms made of the current structures, and although much can be done to mitigate the problems we do not believe that it is sufficient simply to try and improve current practice – a more radical change is required. Nor do we believe that adopting a classic model of secular governance would be right for a cathedral. Our solution is to retain the Chapter as the governing body but to make significant changes to the way in which governance is conducted. Our proposals will require legislative change, and meanwhile much can be done to improve the operation of the current structure (indeed to begin to anticipate the new one).

Governance: List of recommendations

177. The Working Group makes the following recommendations:

- vi. **The Governing body** of a cathedral should be a Chapter comprising the dean as chair, an independent lay vice-chair nominated by the diocesan bishop, residentiary canons, and mostly 'non-executive' members
 - In order to ensure effective governance and operation, it is anticipated that a Chapter would comprise at least 8 but not normally more than 12 members
 - The dean and residentiary canons would form a minority of the members of the Chapter.
 - The non-executive members should be appointed by the Chapter itself (but subject to the approval of the diocesan bishop. The Chapter should have a Nominations and Development Committee to facilitate this.
 - At least two-thirds of the non-executive members would be laity
 - The diocesan bishop would appoint one senior independent lay member of the Chapter as Vice Chair
 - There would be no requirement for non-executive members to be communicant Anglicans, but they should be practising Christians
 - The dean would be the chair with the bishop's nominee as lay vice-chair.
 - Of the non-executive members, at least one must be appointed with current, relevant financial expertise; others, ideally, would include members with current and relevant risk and property expertise
 - The cathedral's Chief Operating Officer (formerly Administrator) and Chief Financial Officer would attend in an advisory capacity but would not be members of the Chapter due to the potential conflict of interest.

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- vii. In order to make a clear distinction between governance responsibility and management, the Chapter would establish a **Senior Executive Team** comprising the dean, the Chief Operating Officer, the Chief Financial Officer and other appropriate persons, including departmental heads, both clerical and lay. The Senior Executive Team would have an operational focus on day-to-day running of the cathedral, with Chapter having a clear oversight role.
- viii. All cathedral staff and clergy should report ultimately to the dean
- ix. The Chapter would be the corporate body of the cathedral. The members of the **Council** and of the **College of Canons** would accordingly cease to be members of the corporate body and take on other functions to reflect their links with the wider community and diocese.
- x. The Chapter would have responsibility for making changes to the constitution and statutes, subject to approval by the bishop and a national Church body.
- xi. The Chapter would be required to appoint a **Finance, Audit and Risk Committee** chaired by a non-executive Chapter member, to provide oversight of the activities of the cathedral and its management in the areas within its remit. The scope of the responsibilities of this committee, together with pro forma Terms of Reference, are set out in Annexes D and E. Where sufficient resources of the necessary calibre and experience are available in a cathedral's locality, it would be best practice to have an Audit and Risk Committee separate from the Finance Committee.
- xii. The chair of each committee would report formally to Chapter and minutes of all committee meetings would be provided to Chapter.
- xiii. The diocesan bishop would:
 - remain the Visitor and retain the role of approving amendments to the constitution and statutes
 - appoint an independent lay member to the Chapter who would also act as the vice-chair
 - have the right of approval in respect of the appointment of the other non-executive members of the Chapter
 - have the right to attend Chapter meetings and be expected to attend at least one Chapter meeting each year
 - appoint residentiary canons (subject to the approval of the dean) except where these are Crown appointments
 - receive the statutory annual report and financial statements of the Chapter
 - commission a quinquennial assurance review and receive its report (see below).
- xiv. **The Council** would be reconstituted and function as a forum for stakeholder engagement with the wider community. It would cease to have functions of reviewing and advising on the direction and oversight of the work of the Chapter. The number of Chapter members on the re-constituted Council would be reduced. In the case of a parish church cathedral, the composition of the Council would reflect parish as well as diocesan interests.

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- xv. **The College of Canons** would continue to exist but its functions – other than the election of the bishop – would not be prescribed. Instead it would have such functions as were conferred on it by the Chapter.
- xvi. **A quinquennial assurance review** would be undertaken for each cathedral at least once every 5 years, commissioned by the bishop after consultation with the dean, to provide assurance that appropriate governance, management, financial and operational controls are in place and operating effectively. The assurance review report would be provided to the bishop and copied to the Chapter and to the national Church. A non-routine review could be requested by the bishop if considered necessary.
- xvii. **Visitation** would remain as a formal legal enforcement and dispute resolution mechanism but would not in practice be used as the normal means of reviewing and bringing about improvements in financial or other governance matters. It would be available to resolve disputes of a specifically legal nature (for example as to the construction of, or disputes arising under, the constitution and statutes) in which case the bishop would normally be expected to commit its exercise to an ecclesiastical judge.
- xviii. **Residentiary canon appointments** should be made subject to the approval of the dean and should report to the dean under the new management structure
- xix. Any duplicating legislation for **parish church cathedrals** should be removed. Parish church cathedrals should come under the same legislative and governance arrangements as the rest of the cathedrals sector.
- xx. **Charity Commission regulation** - The Charities Act 2011 should be amended so that cathedrals become subject to the jurisdiction of the Charity Commission and cease to be subject to regulation by the Church Commissioners.

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LEADERSHIP, MANAGEMENT AND PEOPLE

Leadership, Management and People

178. Governance only works effectively if it is supported by a clear and robust management structure, with suitably skilled people to carry out the operational function. It is vital to have good working relationships between the various people involved in running a cathedral, lay and ordained.

179. The Working Group has had well-articulated to them the wide variety of operational and strategic issues cathedrals are facing. Many of these issues, whilst they manifest in financial form, stem from issues around the team. This tends to come from just a few root causes:

- A lack of clarity of roles and responsibilities within and between the Chapter and senior staff
- A lack of real or perceived ability for Chapter (both lay and ordained) to hold each other to account and for deans to manage residentiary canons
- A lack of resources or ability to access expertise or knowledge at the right level or the right time
- Insufficient experience, expertise or development in lay and ordained members of the Chapter to undertake the roles they are given
- Relationship breakdown or lack of trust between Chapter members and/or senior staff.

180. In addressing these issues, the Working Group is keen to enable the management structure to function clearly and effectively.

The role of the dean

181. The nature of clergy tenure and the arrangements for Chapter appointments means that there is no clear line management or formal development review process within a Chapter team. In some cathedrals, there is a tacit acceptance of the dean's authority, and the management processes adapt accordingly – but this is by no means the case everywhere. The Working Group heard evidence from a number of cathedrals where a dean's ability to lead was being undermined by inadequate management structures and confused reporting arrangements, resulting in many deans feeling systemically disempowered to review the clergy in their teams or to manage them in relation to their post.

182. In our section on governance, we have indicated that for management purposes all cathedral clergy and staff should come under the ultimate authority of the dean. The corollary to strengthening Chapter scrutiny and accountability is that deans need to be empowered to lead, and this will require changes to the management structure.

183. We are aware that the role we envisage for the dean is a demanding one for someone whose calling is primarily as a priest and a minister of the Gospel. It requires deans to have an adequate (if non-specialist) understanding of the key operational and business-related issues facing a cathedral as a small to medium sized enterprise.

184. Deans need to have skills which will equip them to have effective oversight across every dimension of the cathedral's life. Whilst they do not need to have specialist professional skills, they need to be recruited, inducted and trained for the

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task and be given access to specialist support in areas such as finance, asset management, project management, and the marketing of a heritage site.

185. We have made recommendations below about the way that Ministerial Development Review (MDR) is carried out for residentiary canons. In the case of the dean, we propose that:

- MDR should happen on an annual basis
- It should be conducted jointly by the bishop and the lay independent member who is the diocesan bishop's nominee and vice-chair of the Chapter.
- It should be aligned with the collegiate objectives of the Chapter
- It should include feedback from key stakeholders including senior diocesan staff, civic leaders, the cathedral community, cathedral staff and Chapter

Residentiary canons

186. The Working Group has given a lot of consideration to the role and status of residentiary canons. Historically, they have been considered a senior church appointment; they are crucial members of Chapter and form part of the 'praying community' that we believe lies at the heart of a cathedral's life. They share responsibility with the dean for day to day oversight of the cathedral, and together with the dean they have a specific responsibility to animate worship, prayer and mission. Because of the important role that they play, residentiary canons should be of the highest competence and calibre and work as integral parts of the cathedral community and management structure.

187. Under the current Cathedrals Measure, residentiary canons are already committed to the overall strategy of the Chapter, but becoming charity trustees will highlight and formalise this part of the role, making it explicit that they do not simply hold a specific, focused, designated function but they carry full trustee responsibilities.

188. We would like to see residentiary canon roles being given as a developmental opportunity at an early or mid-point in a clergyperson's ministry, enabling them to learn new skills and move on after an appropriate period to their next role.

189. The majority of residentiary canonries are appointed by the bishop. A small number are Crown appointments, or academic canonries appointed by universities. It is the diocesan bishop rather than the dean who has the legal powers or responsibilities in connection with the terms of service of residentiary canons (although this would not prevent the bishop from delegating them to the dean). In particular:

- Residentiary canons are legally required to give their notice to the bishop (not the dean)
- It is the bishop and not the dean who is legally required to make and keep under review a ministerial development review scheme and arrangements to ensure that any office holder is provided with suitable training and afforded such time off work as is necessary to undertake it
- It is the bishop who is named in the Statement of Particulars as able to grant special leave in particular circumstances

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- Any dispute about discharging public duties in addition to the duties of the office would be determined by the bishop
 - It is the bishop who directs an office holder to undergo an occupational health assessment
 - It is the bishop who issues a direction that a dean or residentiary canon who has reached the age of 70 shall have the term of their office extended for a period or periods until they reach their 75th birthday
190. In system terms, it is anomalous that residentiary canons hold such a critical place in a cathedral's ecosystem, yet they are appointed by the bishop, licensed by the bishop, and reviewed by the bishop – with little formal structural relationship with the dean.
191. The Working Group was concerned at the potential this creates for residentiary canons to function with a degree of unhelpful independence from either the collegial vision of the Chapter or the line management of the dean. In most cases the relational quality of the Chapter is strong enough to avoid such pitfalls, but in a number of situations with insufficient relational capital the current structure creates intractable problems. As a general principle, it is important for a cathedral's objectives to be collegially owned by the whole Chapter, with cathedral clergy aware of their particular roles and how they contribute to achieving the strategy of the Chapter as a whole, and their responsibilities for delivering these objectives.
192. The Working Group considered whether it might be preferable for residentiary canons to be **employed**, rather than being appointed under Common Tenure, in order to give them clearer accountability to the dean and to avoid some of the anomalies indicated above. We have decided against this option, since in our view it does not address the underlying cultural issues, nor would it guarantee that the new employment framework would be used to full effect – in any organisation, there are good and bad line managers, and employees who resist being managed.
193. We think that there are other ways to address any issues with the management and oversight of residentiary canons.
194. Under current regulations, MDR of residentiary canons is the responsibility of the bishop, and there is no formal requirement for the dean to contribute. The basic requirements of the legislation are that MDRs are to be conducted at least every two years and for a written record – signed by reviewer and reviewee – to be kept. Some MDR schemes involve appraisal of performance, whereas others are more focused on ministerial or personal development. In the context of a cathedral Chapter, there is a need to ensure in the review an element of appraisal of work entrusted to a residentiary canon and for which they are individually accountable. It seems obvious for the Dean to exercise the responsibility for such a review.
195. The dean and the residentiary canons are each responsible to the Chapter as a body. As the dean carries out particular functions on behalf of the Chapter, it would not be unreasonable to give the dean (on behalf of the chapter) a role in relation to residentiary canons.
196. The Working Group recommends inviting the Archbishop's Council to adapt its guidance on how MDR is conducted at cathedrals in the context of cathedrals so that the following would happen under the guidance of the Bishop:

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- Deans have regular conversations with residentiary canons
- Deans would conduct an annual review of residentiary canons
- The review would be conducted in the context of the collegiate objectives of the Chapter
- Residentiary canons would be assessed against their operational responsibilities
- The review would provide for feedback from key stakeholders, including senior diocesan staff, civic leaders, the cathedral community, cathedral staff and Chapter.
- Bishops would continue to have oversight of MDRs with residentiary canons as part of their general episcopal oversight of all licensed clergy.

197. The current Measure is not clear about the oversight of a residentiary canon's operation in role or the reporting structure under which they operate. Given the complexity of cathedral operations, the Group felt that it was **essential for the dean to be able to oversee and direct the work of the residentiary canons**. We recognise that in many cathedrals this already happens by consent, but we do not believe this is sufficient.

198. The Group believes that requiring a residentiary canon to be accountable to the dean for their operational responsibilities is not a diminution of status or role but an affirmation of their ministry and its contribution to the whole work of the cathedral. Deriving their authority from the dean, within a culture of mutual accountability and collective responsibility, should raise the game of deans and residentiary canons alike whilst continuing to ensure the engagement of the bishop in their ministry.

Recruitment and appointments

199. This new clarity in reporting and review arrangements should naturally flow into the recruitment and appointment processes. The process for the advertisement and recruitment of clergy, lay Chapter members and senior staff should be made more transparent. All cathedral appointments should involve the following:

- A clear role description, stating the review and reporting arrangements
- External advertising and search process
- Shortlisting and interviews by an appropriate panel (in the case of residentiary canons to include both the bishop and the dean)

200. In our view, the importance of a detailed role description at the appointment stage cannot be over-stated. Such a document is extremely useful in creating expectations amongst all those involved so that there is clarity over the purpose of the job. Role profiles should explicitly state any oversight/line management responsibilities.

201. There should also be a clear link between the role profiles of the cathedral clergy and the wider cathedral strategic objectives so that named ownership of the wider strategic objectives is clear in both documents. It would also be considered good practice for role profiles to be kept under regular review to ensure they remain appropriate. It may be that Chapters should review all role profiles annually alongside any review of strategic objectives.

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202. In the appointment of deans we want to stress the importance of reviewing the current appointment processes in order to take account of the changes we have proposed to the responsibilities and powers of deans.
203. In our proposed governance model, we have recommended the establishment of a **Nominations and Development Committee** on each Chapter. This committee would be charged with reviewing the skills/experience requirements for effective governance, ensuring that formal appointment processes are in place with clear accountabilities and due diligence in relation to safeguarding, financial probity, etc, and ensuring that development, training and review processes are happening for all appointments (including the dean and residentiary canons).
204. It is good practice for the governance body of any organisation to have an annual opportunity to discuss people-related risks and issues. This should include an assessment of the skills on the Chapter and the identification of any skills gaps and how they might be filled. It should also flag up issues for key staff posts.
205. Cathedrals will benefit from the current national investment in recruitment technology. Recruitment is an area where being able to tap into central expertise could support local decision-making around key posts. Elsewhere in this report, we have recommended establishing a central support system for cathedrals, and there are a number of ways in which central support could enhance appointments to key governance and management posts – particularly those cathedrals less able to attract people of sufficient calibre locally.

Induction, training and development

206. The Working Group discussed at length thoughts on how to ensure Chapter could be supported, trained and developed effectively to undertake the variety of roles involved in discharging their responsibilities.
207. For most people who join a Chapter, lay or ordained, the nature of cathedral work has elements that will be new. There are a number of areas that are relatively specific even within the Church, for example: the scale of the operation and the complexity of the various constituencies in a cathedral, managing a major heritage building, cathedral worship and the choral tradition, the scale of a cathedral's commercial operations, the cathedral as a tourist attraction, safeguarding, and the system of governance.
208. Even the most qualified clergy and lay professionals are likely to need support to be effective. Additionally, the Chapter team does not work together all the time but need to operate effectively as a group. It is worth noting that sometimes clergy joining Chapters have little experience of managing people/employees and teams when they start. This should be identified at recruitment and specific support given when it is the case.
209. There needs to be proper support for people joining Chapters, to understand the general elements of cathedral working, finance/accounts, the structures of governance and operational systems, and we recommend that this induction should be delivered on a national basis alongside local induction plans for areas specific to each particular cathedral (for example strategy, finance, roles and responsibilities, policies etc). This should be a part of learning and development services delivered by the National Church Institutions (NCIs) to the wider church, in collaboration with the AEC.

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210. Good governance practice would suggest regular development and clear induction planning throughout the life of a Chapter and at times of change. Equally, understanding the skills of the team and identifying appropriate training needs is an important element of governance teams. We anticipate that the Nominations and Development Committee would be charged with including this within their regular skills audit. This should include assessing the skills of the non-executive members of Chapter.
211. We have considered the possibility of setting absolute term-limits for non-executive members of Chapter. We rejected this option in light of the fact that it is sometimes difficult for cathedrals to find suitably-qualified people to sit on Chapter, and it may be necessary to have continuity of membership to oversee long-term projects, such as buildings projects. However, in general we would advise that, as best practice, membership of Chapter should be on a renewable fixed term basis in order to provide the opportunity for regular review and refreshment of the skill set among non-executive members. Chapter could decide to renew a member's term if appropriate, subject to an absolute limit of ten years.
212. The Working Group was impressed by the work that is being done to ensure that appointment and training processes align with the particularity of a dean's role, but recognise the lack of resources currently available – particularly around training and support for deans. The 'mini-MBA' is clearly a quality programme and was generally very well received, and we recommend that further and adequate resource be found for induction and training to support deans in the specific demands of their role. There would be an added benefit in providing recommended training for residentiary canons – particularly at induction.

Improving management practices

213. The key recommendation of the Working Group here is to establish a **Senior Executive Team**, comprising the dean, the Chief Operating Officer, Chief Financial Officer and other appropriate persons, including departmental heads, both clerical and lay. We do not wish to make any further prescriptive recommendations at this point, as we feel that the exact details of the Senior Executive Team should be a matter for the Chapter to agree in its role as a governance body. However it is constituted and however often it meets, we recommend that the Senior Executive Team should have day-to-day responsibility for the cathedral's operations and be chaired by the dean or Chief Operating Officer, meeting on a regular basis.
214. In terms of maintaining and seeking to improve management and other aspects of a cathedral's operations, we have also recommended elsewhere in this report that an **assurance review** should be undertaken for each cathedral at least once every 5 years. The Bishop would commission the review after consultation with the dean and would receive the report once completed. The report should provide assurance that appropriate governance, management, financial and operational controls are in place and operating effectively.

Role and title of the Cathedral Administrator

215. The key role of Cathedral Administrator appears to operate in a variety of ways and under a bewildering array of titles, many of which reflect a rich local history.
216. Whatever the title used for ceremonial purposes, the Working Group concluded that the title "Cathedral Administrator" no longer encapsulates the operational

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management nature of the role. Accordingly, we recommend that the term “Cathedral Administrator” is replaced by “Chief Operating Officer” (COO) in cathedral legislation, not least to make clear the strong operational expertise that is required for the role. We feel that such clarity will help to recruit the right people in to post and make clear the purpose of the role.

217. Chapters will have different preferences as to the division of responsibilities between dean and COO, based on their respective skill sets. Some deans will wish to chair the Senior Executive Team. Others will prefer the COO to do this, whilst they sit as a member of the group. In all cases, clear and comprehensive role descriptions will minimise the potential for duplication or oversight.

Relationship breakdown

218. Many cathedral Chapters work closely with a facilitator to enable members to work together as effectively as possible. We commend this. We are also aware that despite this support, relationships in these complex organisations can become strained. There needs to be a way that confidential support can be provided to Chapter members to help address relationship breakdown. Counselling and/or mediation is available in a number of dioceses. The Working Group recommends extending diocesan schemes of counselling and mediation to cathedrals, in order to provide clergy/Chapters with access to facilitated individual or group relational improvement work in the case of relationship breakdown.

Whistle-blowing

219. Recent national events have made it clear that a healthy organisation needs an effective system to allow individuals to ‘whistle-blow’ where there is inappropriate behaviour. To our knowledge this is something that has been paid scant attention in most cathedrals, but it is a growing issue and we urge the AEC to work with the Deans Conference to propose good practice for cathedrals to follow.

Summary

220. Effective governance requires a clear and robust management structure, with suitably-skilled people in post. This section has proposed clarifying the responsibility, review and reporting lines to empower deans to lead the cathedral, including changes to the way in which residentiary canons fit within the management structure. Good recruitment, induction, training, management and support of key roles is fundamental to the smooth running of a cathedral, and a regular audit of skills and experience should become a key feature of cathedral governance, cascading across the management structure.

Leadership, Management and People: List of Recommendations

221. The Working Group makes the following recommendations:

- | | |
|-------|---|
| xxi. | All cathedral clergy and staff should come under the ultimate authority of the dean |
| xxii. | Ministerial Development Review (MDR) for deans |
| | ○ Should happen on an annual basis |
| | ○ Should be conducted jointly by the bishop and the non-executive lay vice-chair who is the bishop’s nominee on Chapter |

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- Should be aligned with the collegiate objectives of the Chapter
 - Should include feedback from key stakeholders including senior diocesan staff, civic leaders, the cathedral community,
 - Alongside their priestly function, deans need to be recruited, inducted and trained for tasks attaching to their leadership role in the cathedral
 - They need to be given access to specialist support in areas such as finance, asset management, project management and the marketing of a heritage site.
- xxiii. Residentiary canon roles should be seen as a developmental opportunity at an early or mid-point in a clergyperson's ministry, enabling them to learn new skills and move on after an appropriate period to their next role
- xxiv. In terms of MDR for residentiary canons, Archbishop's Council guidance on how MDR is to be conducted at cathedrals should be amended, such that under the guidance of the bishop:
- Deans would conduct an annual MDR for residentiary canons
 - MDR would be conducted in the context of the collegiate objectives of the Chapter
 - Residentiary canons would be assessed against their operational responsibilities
 - The MDR would provide for feedback from key stakeholders
- xxv. All cathedral appointments should involve the following:
- A clear role description, stating the review and reporting arrangements
 - External advertising and search process
 - Shortlisting and interviews by an appropriate panel (in the case of residentiary canons to include both the bishop and the dean)
 - There should be a clear link between the role profiles of the cathedral clergy and the wider cathedral strategic objectives.
- xxvi. Chapters should review all role profiles annually alongside any review of strategic objectives.
- xxvii. The national Church should review the current appointment process for deans to take account of the changes proposed in this report for the role and responsibilities of a dean.
- xxviii. The Nominations and Development Committee should be charged with reviewing the skills/experience requirements for effective governance, ensuring that formal appointment processes are in place with clear accountabilities and due diligence in relation to safeguarding, financial probity, etc, and ensuring that development, training and review processes are happening for all appointments (including the dean and residentiary canons).
- xxix. Chapter should conduct an annual review of people-related risks and issues. This should include an assessment of the skills on the Chapter

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and the identification of any skills gaps and how they might be filled. It should also flag up issues for key staff posts.

- xxx. Learning and development services delivered by the NCIs to the wider Church should be extended to ensure proper induction training for people joining Chapters, to understand the general elements of cathedral working, finance/accounts, the structures of governance and operational systems. Work on this should be done in collaboration with the AEC.
- xxxii. Chapters should develop local induction plans for areas specific to each Cathedral (for example strategy, finance, roles and responsibilities, policies etc).
- xxxiii. Chapters should ensure regular board development and clear induction planning throughout the life of a Chapter and at times of change.
- xxxiv. Renewable fixed term Chapter appointments for non-executive members should be used to review and refresh the skill set on Chapters
- xxxv. In general, no non-executive member of Chapter should hold this role for more than ten years, although we accept that in some cases cathedrals will need to extend tenure for certain valid reasons.
- xxxvi. The Nominations and Development Committee should identify appropriate training needs within their regular skills audit.
- xxxvii. NCIs should find further and adequate resource for induction and training to support deans and residentiary canons in the specific demands of their roles.
- xxxviii. Chapters should establish a **Senior Executive Team** comprising the dean, the Chief Operating Officer, Chief Financial Officer and other appropriate persons including departmental heads, both clerical and lay. The Senior Executive Team should have day-to-day responsibility for the cathedral's operations and be chaired by the dean or Chief Operating Officer.
- xxxix. Quinquennial assurance review should be used to review management, financial and operational controls more broadly every five years.
- xl. The term 'Administrator' should be replaced by 'Chief Operating Officer' in cathedral legislation in order to attract people with strong operational expertise in to the role.
- xli. Diocesan arrangements for counselling and mediation should be extended to cathedrals, in order to provide clergy/Chapters with access to facilitated individual or group relational improvement work in the case of relationship breakdown.
- xlii. The AEC should work with the Deans Conference to propose good practice for cathedrals to follow in relation to Whistle-blowing.

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Finance

Introduction and Background

222. Addressing the financial management of cathedrals is at the core of our Terms of Reference and we are aware that this section of our report contains considerable detail. Much of this is technical, but before we outline our recommendations, we would like to re-visit the points we made at the start of this report about the need to ensure the sustainability of cathedrals for the future. Without robust financial management, these wonderful places will not exist for future generations. It is our duty and our privilege to ensure that they have the structures and resources they need for their current and future mission.

223. The financial crisis at Peterborough Cathedral coincided with several other cathedrals approaching the Church Commissioners for advice on improving their financial sustainability. Alongside anecdotal evidence of other cathedrals being in a weak financial position, this prompted the national Church's Finance & Resources Department to undertake a piece of work to assess the financial sustainability of cathedrals in general which was considered by the Commissioners' Board and Archbishops' Council and circulated to deans, with a recommendation it should be discussed with their Chapters and diocesan bishops. While a few individual cathedrals took issue with some of the findings of the report, overall it served to highlight the financial vulnerability of many cathedrals.

224. There is no doubt that the cathedral sector as a whole is under considerable financial pressure. At one level this is nothing new, as illustrated by these words from *Heritage and Renewal* back in 1994:

*In general, the overall state of cathedral finances is not at all comfortable. Although at the aggregate level, cathedrals have just about been breaking even, that hides the fact that, individually, they divide almost equally between those in surplus and those in deficit. However, if the benefits of legacies and appeals are excluded, then the overall [annual] deficit is nearly £3 million, with only about a quarter of cathedrals in surplus and the rest in deficit.*¹

225. However, whenever cathedrals get into debt and serious financial difficulties, this presents a reputational risk for the entire Church, especially where a cathedral is unable to pay its creditors in full. The Working Group has taken the view that all steps necessary should be taken to ensure that cathedrals do not get into financial situations where they require external intervention at national level.

226. In addressing issues of financial sustainability, we want to emphasise some fundamental points:

- The question of the financial management of cathedrals is closely linked to considerations of cathedral governance. There is also a clear read-across to people issues.
- All cathedrals are different. They have different histories, differing levels of endowment and operate in different contexts for their mission. We are aware that the ability of cathedrals to raise funds may vary and be linked to factors such as their national or international profile and historic status.

¹ *Heritage and Renewal*, p. 170.

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- In our view, not all cathedrals should be expected to do the same thing in the same way, but should adapt according to their contexts and the level of resourcing available to them.
- Despite the differences amongst cathedrals, every cathedral needs financial staff of sufficient quality and seniority. Under-investment in financial leadership is a costly error.
- More work needs to be done on the financial sustainability of cathedrals. In the face of increasing demands on cathedrals, there is a level of systemic under-funding that needs addressing by church and state. We have referenced this in our Introduction, but we think that a dialogue needs to be developed in this area.

Structure of finance recommendations

227. In considering the future financial needs and management of cathedrals, we have grouped our findings and recommendations under the following headings:

- Adequacy of cathedral finance functions
- Access to financial advice, support and assurance from the national Church
- Financial reporting
- External audit
- Considerations required when taking on debt
- Funding from the Church Commissioners

Adequacy of cathedral finance functions

228. Every cathedral needs financial staff of sufficient quality and seniority. During our consultations, the issue of being able to attract and recruit individuals of the necessary quality and calibre, and with the requisite skills and experience, was a pervasive issue for cathedrals, especially in the area of finance.

229. In the majority of corporate organisations, the Chief Financial Officer (CFO) is the chief executive's second in command, and it is thus recommended that each cathedral's CFO should work closely with the cathedral's COO (formerly the cathedral administrator) and be in attendance at meetings of the Chapter and the Finance, Audit and Risk Committee to provide financial commentary and answer questions.

230. The effectiveness of this role will be substantially dependent upon the skills and experience of the CFO. The Group recommends that every cathedral should require all future CFO appointees to hold a recognised accountancy or finance qualification. It is further recommended that this is a role which should be prioritised in setting aside funds to pay a market rate to hire the level of expertise required.

Access to financial advice, support & assurance from the national Church

231. A consistent theme from our work was the wish of cathedrals' operational and financial personnel to be able to draw upon central support, rather than having to reinvent or acquire financial advice and support locally.

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232. The question of the adequacy of the financial advice available to cathedrals was raised repeatedly in the consultations we have carried out whilst preparing this report. Many cathedrals (particularly the smaller ones) have indicated to us that they struggle to find the funds to pay for an adequate level of financial advice.
233. We take the view that a cathedral's inability to access appropriate levels of professional financial advice is a serious risk for the cathedral sector and the Church more generally. All cathedrals need to ensure that they have the necessary finance and other professional skills available to them. The way in which this resource might be provided is explored below.
234. All cathedrals should undertake a skills audit of Chapter, its sub-committees (including Finance, Audit and Risk) and the senior executive team to ensure that there is sufficient professional expertise appropriate to running small to medium-sized businesses, especially in terms of skills and experience relating to property, finance, risk management, operations and fund-raising.
235. We recommend that the national Church, in liaison with CAFA, produces a list of the areas which need to be covered by financial operating standards, and the controls required to be put into effect by every cathedral. These should include the processes and controls listed in the Annexes, tailored in respect of the scope and scale of operation of the cathedral.
236. We encourage cathedrals with similar scope and scale to share policies and identify areas of good practice to be taken into account in the regular review of policies and procedures. The recommended quinquennial assurance reviews will act as further confirmation of the adequacies of controls in place and highlight areas for improvement. Over time, benchmarks and examples for model practices should be developed and shared.
237. In addition, we recommend that all cathedrals undertake a detailed review of their funds to ensure that their classification amongst endowment, restricted, designated (a sub-classification of unrestricted) and unrestricted accords with charity law. Cathedrals should give particular attention to whether endowment funds do actually represent permanent endowment rather than being available for other uses and should take legal advice if required.

Central support services for cathedrals

238. Given some of the issues outlined above, the Working Group has come to the view that cathedrals would benefit enormously from some kind of central support services function which would enable them to draw down collectively on professional advice to assist with their overall governance and financial management.
239. Currently, there is little central resource available to provide an appropriate level of professional guidance to cathedrals on a range of areas, including finance, audit, HR, project management and safeguarding, amongst other areas.
240. We have discussed this issue with the NCIs, including the Church Commissioners. We have received the indication that the Church would be willing to provide a central support service for cathedrals. We are advised that any package of services could be provided through Church of England Central Services (ChECS) which is jointly owned by the Archbishops' Council, Church of England Pensions Board and Church Commissioners.

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241. ChECS provides shared services such as HR and Finance & Resources to the other NCIs and has a trading subsidiary company, ChECS Trading Ltd, which provides services to external Church customers, most significantly Parish Buying: a procurement service used by churches, cathedrals and church schools. It has also recently launched the Pathways recruitment portal which can already be used by cathedrals.
242. Given the financial constraints faced by the cathedral sector, we recommend that the establishment of such a central support service should be funded centrally, as was originally the case for the provision of central services to dioceses and other parts of the Church. The provision of specific services to cathedrals should subsequently be provided as cost efficiently as possible on a basis to be agreed between the national Church and the cathedrals sector.
243. There has not been time for the Working Group to scope out exactly what this central support function would look like, what it would cover, and how it would operate. However, we recommend that the newly-appointed NCI Chief Finance and Operations Officer should take forward scoping work to establish a national support services function for the cathedral sector, liaising with representatives from cathedrals, with consideration specifically being given to services where it is inefficient and/or uneconomic for cathedrals to employ full or part time resources locally, or to maintain competence over time. The services which we believe would be worthy of consideration are set out in Annex G.

Financial reporting

244. As noted in the introduction to this Finance section, financial challenges have caused several cathedrals to approach the Church Commissioners for advice on improving their financial sustainability. Whenever cathedrals get into debt and serious financial difficulty, this presents a reputational risk for the entire Church, especially where a cathedral is unable to pay its creditors in full. The Working Group has taken the view that all steps necessary should be taken to ensure that all cathedrals have longer term financial plans, are going concerns, and have adequate reserves, thus mitigating the risk of the need for external intervention at national level.

Reporting to Chapter and the Finance, Audit and Risk Committee

245. Our engagement with cathedrals has highlighted the fundamental importance of Chapters and their Finance Committee and their Audit & Risk Committee (or Finance, Audit and Risk Committee, if combined) having timely, complete and consistent financial information available to them to aid their financial monitoring and decision making.
246. All cathedrals should produce monthly management accounts on a timely basis (within 3-4 weeks of month end) in order that cathedral management and the Finance Committee and the Audit & Risk Committee can monitor and discuss financial performance compared with budget and the latest cash position. The monthly reporting should be clear and transparent, and management accounts should contain a commentary, statement of financial activities by fund, balance sheet, cash flow statement and rolling year-ahead cash flow forecast.
247. These should be in a format which provides visibility of activity of underlying funds and of underlying operating performance excluding depreciation and

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accounting gains and losses. Consideration should also be given to the development of a model set of such management accounts, including cash flow forecast, by the national Church. Rolling five-year plans should be produced and updated annually, and shared with the national Church, as discussed further below.

Statutory reporting

248. Charity Commission regulation will require cathedrals to make their annual reports and financial statements publicly available through their filings with the Commission. The financial statements will need to comply with the accounting guidelines for English Anglican Cathedrals and, consequently, the Charities SORP (FRS102), including specifying the distinction between endowment, restricted, designated and other unrestricted funds.

249. A standard year-end date of 31 December should be implemented.

250. This statutory annual report of the trustees will need to address, *inter alia*, the financial condition of the cathedral (including whether it is a going concern), the principal risks which the cathedral faces, its reserves policy and its approach to financial management and control.

Reporting to the national Church

251. Beyond this statutory reporting, we believe that a significant way of addressing the broader financial and reputational risks for the wider Church would be by putting in place clearer reporting arrangements between cathedrals and the national Church, so long as such reporting, as is the case for dioceses:

- is easy to provide and readily available;
- is provided for a clearly understood, practical purpose, rather than just being 'nice to have'; and
- comprises data from which the national Church is able to provide feedback and aggregation to cathedrals in some useful and practical form.

252. The Working Group explored the role of the Church Commissioners in relation to cathedral finances. The Commissioners have very limited powers of scrutiny, intervention or enforcement, and in practice are a funder rather than a regulator. Apart from receiving annual accounts, no other financial information is supplied to the Commissioners, meaning that all available data is significantly out of date and any attempt at analysis becomes very difficult. In this context, the Working Group feels that the provision of the following data by each cathedral, in addition to the statutory annual report and financial statements, would be apposite:

- the results of Chapter's annual AEC Peer Review Process Self-evaluation
- budget and forecast cash flow for the forthcoming year
- rolling five-year plan, as updated annually
- summary management accounts at the year-end (and, ideally, at each quarter-end) highlighting variances against budget and including the reserves position at the beginning and end of the period, analysed between unrestricted, restricted and endowment funds

253. The provision of this data would enable meaningful comparisons and analysis to be undertaken and shared across the cathedral sector, identifying areas of best

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practice (as well as areas of poor practice) which can be replicated. We recommend that this matter is taken forward by the national Church's Finance & Resources Department, the AEC and CAFA.

External audit

254. A key area of concern is the ability of cathedrals to access appropriate external audit expertise. Recent experience has shown that some cathedral auditors have inadequate experience of auditing cathedral accounts and are not able to ask sufficiently probing questions with regards to the management of a cathedral.
255. The Working Group recommends that cathedral auditors should be selected from a nationally-recommended panel of auditors, comprising both national and regional firms that are assessed for their suitability to perform this task. Whilst it would not be compulsory for cathedrals to choose from this panel, the firms listed would have been selected for their quality and experience of the Church and the charity sector.
256. Regular review of professional advisors is good practice, whilst also recognising the value of good professional working relationships and the audit firm's experience of a particular cathedral as a client. In this context, we recommend that the Audit & Risk Committee (or Finance, Audit and Risk Committee, if combined) of each cathedral reviews the quality of their external audit and the performance of their audit firm annually, with the lead external partner being changed at least every 7 years, the external audit being tendered at least every 10 years, and the audit firm being changed at least every 20 years, in line with UK corporate practice.
257. We note that the National Church's Financial Policy and Planning unit has issued (via CAFA) guidance on selecting auditors. We firmly believe that cathedrals should follow this advice, subject to the above recommendations concerning tendering and rotation, and to the detailed recommendations in Annex H.

Considerations required when taking on debt

258. As noted earlier, whenever cathedrals get into debt and serious financial difficulty, this presents a reputational risk for the entire Church, especially where a cathedral is unable to pay its creditors in full. All steps necessary should be taken to ensure that cathedrals do not get into financial situations where they require external intervention at national level.
259. To this end, the Group notes that, as required by charity law, a cathedral should be able to demonstrate that any prospective debt can be appropriately serviced and repaid **prior to entering into** any term loan, bond or bank overdraft. We have considered recommending that cathedrals be required to seek permission from the Church Commissioners to take on significant new debt, but have rejected this possibility given our recommendations for the strengthening of cathedral governance through the new-style Chapter and the Finance, Audit and Risk Committee (or separate committees), and the requirements of charity law.
260. Clearly there is an obligation upon the Chapter to ensure that the cathedral is a going concern. To the extent that any prospective debt would cause the total borrowings of a cathedral to exceed the lower of 10% of its annual unrestricted income or £1million, it is recommended that the cathedral should be required to consult with a national church body to ensure that the Church is aware of the

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cathedral's prospective liabilities. It is suggested that such consultations should be with the Church Commissioners.

Funding from the Church Commissioners

261. The Cathedrals Measure sets out the main funding streams available from the Church Commissioners:

- Section 21 - stipend costs of the dean and two residentiary canons
- Section 23 – salary costs of lay staff and stipends not covered in S21
- Section 25 – contribution to chancel repair liabilities
- Powers under S22 and S24 relating to payment of removal expenses of the dean and residentiary canons and a contribution to housing costs (in practice these are not used, and S21 grant covers removal expenses)
- The manner in which section 21 and 23 grants are calculated and distributed is detailed in Annex I.

262. Informally, the Church Commissioners vary the aggregate amount of the section 21 and 23 grants to cathedrals each year, either upwards or downwards, in line with changes to Bishops' grants and Parish Mission and Ministry grants. We recommend that the Commissioners formalise this approach.

263. In addition, it should be noted that early in 2017, in response to the financial vulnerability of many cathedrals, the Church Commissioners' Board agreed to the creation of a £3million 'cathedral sustainability fund'. The fund has been established out of the past five years' unrestricted legacy receipts, and has been welcomed by the cathedral sector. Any cathedral being awarded a grant must submit to a governance review as a condition of the grant being made. We recommend that the form of this governance submission is developed on a basis consistent with the recommendations set out in this Finance section as a whole.

Allocation of grants under Section 23

264. The system for the allocation of section 23 grants, as detailed in Annex I, has been tried and tested for several years and is generally well understood by cathedrals. The measure of **net unrestricted income** is deemed as a proxy for cathedral wealth and ability to fund-raise. It is an attempt to develop a formula that will address cathedrals of all sizes.

265. However, the Working Group is persuaded that the formula is unsatisfactory for a number of reasons:

- Section 23 grants reduce the incentive for cathedrals to encourage increases in unrestricted income, including from cathedral congregations, particularly for those cathedrals who receive the largest of grants. For example, those cathedrals who fall below band 1, for every £1,000 increase in unrestricted income they will lose £220 of section 23 grant (though how this works in practice depends on the change in average income relative to other cathedrals and the total sum available for section 23 grants)
- Unrestricted income is assumed as a simple proxy for financial need. Some cathedrals have large endowments where some of the income is unrestricted but some of the income is restricted (for example a music

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endowment). Other cathedrals may have larger unrestricted income to make up for the fact that they do not have a music endowment. The use of unrestricted income does not therefore necessarily identify financial need.

- The cathedral accounting regulations specify the distinction between endowment, restricted and unrestricted funds which cathedrals are meant to follow. Unfortunately, in practice there is some inconsistency between treatments of these funds. Also the scheme could incentivise cathedrals to record income as restricted to keep the unrestricted income level as low as possible.

266. The Working Group has noted the reforms recently introduced relating to how dioceses receive funding from central sources. The formula for national funding for dioceses has now been adjusted so that half the funding available for grants to dioceses is distributed by a formula to support dioceses who have a greater than average level of deprivation. All dioceses are able to apply for a grant from the remaining half for Strategic Development Funding which provides tactical support to fund projects aiming for church growth as part of Renewal and Reform. This is designed to move dioceses from being dependent on central funding to operating on a more sustainable basis. Transitional funds are being provided to help dioceses move to this new model. The Working Group recommends a dialogue between the AEC, national Church and COO/CFOs to explore whether a similar model might work for the cathedral sector.

Allocation of grants under Section 25

267. 15 cathedrals have historic repair liabilities for around 200 chancels. These are a mix of full and partial liabilities equivalent to complete liability for 153 chancels, but they are unevenly spread across the sector – some cathedrals have a significant number of chancel repair liabilities (the maximum is 37), while many have none.

268. Under section 25, the Church Commissioners “have power to make out of their general fund to any cathedral such grants as they may think fit for the repair of any chancel, other than the chancel of the cathedral, which that body is wholly or partly liable to repair”.

269. Since the mid-1990s the Commissioners have made grants of two-thirds of the costs, although previously for some time they had fully reimbursed cathedrals for their liabilities. The Working Group recommends a return to full reimbursement, so that all cathedrals are on an even playing field.

Recommendations concerning funding from the Church Commissioners

270. The current funding arrangements have been in place for nearly 20 years. On the basis of our work and consultations, we believe that there would be considerable merit in these arrangements being reviewed and refreshed better to reflect the financial challenges which cathedrals are facing today.

271. Accordingly, we recommend the following:

- That the Church Commissioners formalise their informal approach to varying total cathedral grants each year in line with changes to Bishops’ grants and Parish Mission and Ministry grants.
- That the costs of chancel repair liabilities, and consequently the need for

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section 25 grants, be removed from the cathedrals' funding process on the grounds of simplification and fairness. We recommend that cathedrals should transfer the management and administration of their chancel repair liabilities to the Church Commissioners on the understanding that the Church Commissioners would make grants to cover 100% of the cost of these liabilities, recognising that this could result in a modest reduction in the sum available for other types of cathedral grants;

- That the residual funds available for distribution by the Commissioners to cathedrals (ie the current section 21 and 23 grants) be considered as a single funding pool;
- That each cathedral covered by the Cathedrals Measure² receives a minimum grant equivalent to the stipend, pension and national insurance costs of its dean and two *full-time equivalent* residentiary canons. This should give cathedrals greater flexibility in meeting the costs of residentiary canons (for example, where roles and costs are shared with diocesan roles);
- That there should be greater flexibility in how the balance of the available funding can be used by cathedrals in terms of the costs of either clergy or lay cathedral personnel, according to the financial and missional needs of the cathedral, with cathedrals having the ability to apply a portion of their grant to non-payroll administration related costs, subject to the agreement of the Commissioners on a case by case basis;
- That consideration be given by the national Church bodies, in consultation with the AEC and cathedral COOs and CFOs, to revising the basis of the allocation of the residual funding (ie beyond the costs of a dean and two full-time equivalent residentiary canons), based on financial need, but rewarding enterprise, good governance and financial management, and that the scale of financial obligations and historical financial and other assets are taken into account; and
- That consideration is given to the potential for releasing further funding for cathedrals from within the Church Commissioners Funds.

Summary

272. The cathedral sector as a whole is under considerable financial pressure, and whenever individual cathedrals get into serious financial difficulty, it represents a reputational risk for the entire Church. Consistent under-resourcing of the finance function in a cathedral is a false economy and a costly error, leading to ineffective strategic financial management and poor collective decision-making.

273. The significant number of cathedrals at severe financial risk means that 'doing nothing' is no longer an option, so the Working Group has made a number of detailed recommendations to address staff appointments, financial advice and support, planning, audit and reporting arrangements, as well as proposing changes to the funding arrangements which we hope will provide for greater flexibility according to local context.

² Oxford and Sodor and Man are outside the normal funding arrangements, so no change is proposed for these cathedrals: the Commissioners fund one full time residentiary canon at Oxford and no cathedral funding is provided for Sodor and Man.

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Finance: List of recommendations

274. The Working Group makes the following recommendations:

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| <p>xlii. The role of Chief Financial Officer (CFO) should be prioritised by Chapters in order to hire the level of expertise required.</p> <p>xliii. For future appointments, each cathedral CFO must hold a recognised accountancy or finance qualification.</p> <p>xliv. Each cathedral's CFO should work closely with the cathedral's Chief Operating Officer (formerly the cathedral administrator) and be in attendance at meetings of the Chapter and the Finance, Audit and Risk Committee (or separate committees)</p> <p>xliv. All cathedrals should undertake a skills audit of Chapter, its sub-committees (including Finance, Audit and Risk) and the senior executive team to ensure that there is sufficient professional expertise appropriate to running small to medium-sized businesses, especially in terms of skills and experience relating to property, finance, risk management, operations and fund-raising.</p> <p>xlvi. The national Church, in liaison with CAFA, should produce a list of the areas which need to be covered by financial operating standards, and the controls required to be put into effect by every cathedral.</p> <p>xlvii. All cathedrals should undertake a detailed review of their funds to ensure that their classification amongst endowment, restricted, designated (a sub-classification of unrestricted) and unrestricted accords with charity law.</p> <p>xlviii. The new Chief Finance and Operations Officer of the NCI's should take forward scoping work to establish a national support services function for the cathedral sector, liaising with representatives from cathedrals, with consideration specifically being given to those services where it is inefficient and/or uneconomic for cathedrals to employ full or part time resources locally, or to maintain competence over time.</p> <p>xlix. All cathedrals should produce monthly management accounts on a timely basis (within 3-4 weeks of month end) which should contain a commentary, statement of financial activities by fund, balance sheet, cash flow statement and rolling year-ahead cash flow forecast.</p> <p>I. Consideration should also be given to the development of a model set of management accounts, including cash flow forecast, by the national Church.</p> <ul style="list-style-type: none">• Rolling five-year plans should be produced and updated annually, and shared with the national Church.• Cathedrals' annual reports and financial statements should comply with the accounting guidelines for English Anglican Cathedrals and the Charities SORP (FRS102), including specifying the distinction between endowment, restricted, designated and other unrestricted funds.• A standard year-end date of 31 December should be implemented.• The statutory annual report should address, <i>inter alia</i>, the financial condition of the cathedral (including whether it is a going concern), the principal risks |
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which the cathedral faces, its reserves policy and its approach to financial management and control.

- li. The following data should be provided by each cathedral, in addition to the statutory annual report and financial statements, to the national Church:
 - o the results of Chapter's annual AEC Peer Review Process Self-evaluation
 - o budget and forecast cash flow for the forthcoming year
 - o rolling five-year plan, as updated annually
 - o summary management accounts at the year-end (and, ideally, at each quarter-end) highlighting variances against budget and including the reserves position at the beginning and end of the period, analysed between unrestricted, restricted and endowment funds
- lii. Cathedral auditors should be selected from a nationally-recommended panel of auditors, comprising both national and regional firms that are assessed for their suitability to perform this task.
- liii. The Audit & Risk Committee (or Finance, Audit and Risk committee, if combined) of each cathedral should review the quality of their external audit and the performance of their audit firm annually, with the lead external partner being changed at least every 7 years, the external audit being tendered at least every 10 years, and the audit firm being changed at least every 20 years, in line with UK corporate practice.
- liv. Cathedrals should follow the advice issued by the Financial Policy and Planning unit (via CAFA) on selecting auditors. This advice should be updated in accordance with the recommendations in the Working Group report.
- lv. A cathedral should be able to demonstrate that that any prospective debt can be appropriately serviced and repaid prior to entering into any term loan, bond or bank overdraft.
- lvi. To the extent that any prospective debt would cause the total borrowings of a cathedral to exceed the lower of 10% of its annual unrestricted income or £1million, the cathedral should consult with a national Church body to ensure that the Church is aware of the cathedral's prospective liabilities.
- lvii. The Church Commissioners should formalise their informal approach to varying total cathedral grants each year in line with changes to Bishops' grants and Parish Mission and Ministry grants.
- lviii. The costs of chancel repair liabilities, and consequently the need for section 25 grants, should be removed from the cathedrals' funding process. Cathedrals should transfer the management and administration of their chancel repair liabilities to the Church Commissioners on the understanding that the Church Commissioners would make grants to cover 100% of the cost of these liabilities.
- lix. Current sections 21 and 23 grants should be treated as a single funding pool

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- ix. Each cathedral covered by the Cathedrals Measure should receive a minimum grant equivalent to the stipend, pension and national insurance costs of its dean and two full-time equivalent residentiary canons.
- ixi. Consideration should be given by the national church bodies, in consultation with the AEC and cathedral COOs and CFOs, to revising the basis of the allocation of the residual funding (ie beyond the costs of a dean and two full-time equivalent residentiary canons), based on financial need, but rewarding enterprise, good governance and financial management, and that the scale of financial obligations and historical financial and other assets are taken into account.
- ixii.** Consideration should be given to releasing further funding for cathedrals from within the Church Commissioners Funds.
- ixiii. A dialogue should be opened up with government regarding possible state funding for cathedrals.

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MAJOR BUILDINGS PROJECTS

Major Buildings Projects

Introduction

275. Cathedral buildings form part of a cathedral's missional work, and major projects and developments will always be a part of their life. Major buildings projects constitute the largest episodic financial risk that cathedrals face. In particular this report notes that issues of cash flow and match-funding for grants can put particular strain on resources.

276. The Working Group recognises that keeping the buildings in a good state of repair, developing existing buildings to meet changing requirements from visitors and worshippers, and on occasion developing entirely new facilities, is crucial to maintaining the centrality of cathedrals in the religious and civic life of the nation. As such major projects are an important part of the life of cathedrals. They can be a great opportunity for outreach and missional growth.

277. The risks around major projects can be summarised in the following categories:

- A lack of available funds compromising a cathedral's ability to carry out urgent and preventative repairs, conservation and maintenance.
- A lack of understanding within Chapter regarding the prioritisation of buildings projects, or decisions on priorities being dictated by available funding rather than need.
- A lack of understanding within Chapter regarding the best practice in governance and management of major buildings projects, including a full and well managed risk analysis.

278. The number and size of such projects has grown in the past 20 years, in large part because funding avenues have shifted to encourage significant capital building works. These include those arising in the course of the continual process of repair and maintenance that cathedral buildings require. Often, these works need to be managed and overseen as separate projects.

279. The primary source of funds for major buildings projects is the Heritage Lottery Fund (HLF). Most Church of England cathedrals have received HLF grant money since it was set up in 1994. Between 2016-18 the First World War Centenary Cathedral Repairs Fund awarded £40m of government money to urgent and necessary repairs directed towards keeping cathedrals safe and open. Every cathedral bound by the Cathedrals Measure benefited from this Fund.

280. Through our consultation with cathedrals we are aware that individual cathedrals' capacity to manage major buildings projects varies hugely. As indicated elsewhere, we are also aware that the opportunity for different cathedrals to raise funds varies widely, with large and internationally-recognised cathedrals and those in more affluent areas of the country finding it easier to attract donors and resource fundraising efforts than cathedrals with more limited recognition and resources.

281. This section concentrates its focus on three areas:

- the core responsibilities that all cathedrals should undertake to put themselves in the best position possible to deliver complex buildings projects

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- the management of risk
- what needs to be considered nationally for all cathedrals.

282. Much of what follows in this section is to recommend good practice, and to try and ensure a measure of consistency in approach. The major overall risk identified is not around individual projects, but the availability of long-term funding for ongoing maintenance and repair liabilities. Understanding the scale of the problem in relation to cathedrals' abilities to raise that money is key. Key considerations for major projects are the availability of suitable skills, the management of projects, the role played by Chapter in buildings projects and the impact of major projects on a cathedral's finances.

283. The recommendations of this section are intended to complement those regarding cathedral governance and management made elsewhere in this report. We believe that these recommendations will ensure that project development, initiation and management will match the level of resilience and robustness in the overall governance and management structures of cathedrals.

Improved collaborative working between cathedrals and the NCIs

284. We are aware that there is a robust process for advice and permission-giving for building works in place through the Care of Cathedrals Measure 1999. No changes are proposed to this Measure or to the ways of operating of the Cathedrals Fabric Commission for England (CFCE) or Fabric Advisory Committees (FACs). The work of the CFCE is well received and successful, as consultation responses received in preparation of this report make clear.

285. The Working Group welcomes the AEC's creation of a project panel (a pool of experts to help guide the successful identification and initiation of projects). The importance of the CFCE's role, particularly in providing pre-application advice, is recognised and endorsed. Its interaction with the AEC's project panel must remain clear so that the two sets of expert resource can work in a complementary and communicative way – we anticipate this being facilitated at the NCIs through the Cathedral and Church Buildings Division.

286. Continuation and refinement of this resource pool should be a priority both for cathedrals and the NCIs, supporting the development of improved project management and business planning expertise.

287. The lack of a clear understanding of the liability caused by the need for repair and maintenance across the cathedral sector as a whole makes planning difficult, both on a cathedral-by-cathedral basis and at a central level. We suggest that the Cathedral and Church Buildings Division, in collaboration with the cathedrals and the Cathedral Architects Association, should carry out a total overview of buildings needs so that there is a better idea of the quantum involved, including the liabilities faced by the sector, and the ability of individual cathedrals to raise resource against their known needs. This is not about arriving at a definite number, which would in any case change as soon as work was formally commissioned, but about giving a broader understanding of where the most significant liabilities and threats to long-term viability may lie. Additional resource would be needed for this.

Core responsibilities before undertaking buildings projects

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288. We recognise that all cathedrals use their buildings as missional tools. We believe that in order for this to be as effective as possible, all cathedrals should have in place the following:

- an up to date conservation plan
- an up to date liturgical plan
- an up to date visitor engagement plan

289. Each of these must be consistent with the others and should be reviewed regularly by the senior executive team of the cathedral. This will deliver a clear view of short and long-term conservation and repair needs in the context of liturgical and missional ambitions, the visitor experience and staffing levels.

290. The importance and increasing number of major projects in securing cathedrals' long-term futures means there is a need to re-assess which skills are needed as a standard part of a cathedral's management team. We believe that the shift in working style towards a project-based approach is not a short-term one, but now a fundamental part of everyday operation. As such, management and governance functions need to have knowledge of this way of working, and access to specialist support.

291. Additionally, there is a need for cathedrals to assess which skills should be bought in for the duration of a particular project, and the extent to which these may have longer-term value for the management of the cathedral. Financial resource may need to be re-focused (or made available from a central pot) in order to secure these skills. It is possible that similar cathedrals could share these skills between them, but unlikely that this will be possible simultaneously on larger projects. Understanding of these issues is not an additional skill Chapters might wish to cultivate, but an essential risk-management tool.

292. Major projects are a necessary part of securing cathedrals' long-term futures. There is a need for a robust architecture of support to allow cathedrals to develop, initiate and manage projects in a way that enhances, rather than detracts from, their day-to-day operations. Investment in project planning should not be made at the expense of regular good governance and management.

293. We recommend that, before embarking on any project, a skills audit of Chapter and available staff is undertaken. A gap analysis should then be carried out to map the additional resource required. Following these exercises, the governance and management of projects should be established in a way that creates clear lines of responsibility and communication.

294. The impacts of any project on the longer-term running costs of the cathedral (staff and maintenance), any changes in staff which may be required and any impact of increased visitor numbers should be thought through at this early stage; and work should be done on the best way to carry out revenue planning and estimate long term building and maintenance costs.

295. In our view, project governance and management should be understood as two different competencies, and may best be established through a separate project management board made up of staff and clergy. Resource implications of projects should be honestly and fully assessed at the outset, including for existing staff and clergy.

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Risk management

296. In line with the proposed focus on risk by the Chapter and the Finance, Audit and Risk Committee, we suggest that all cathedrals contemplating a major project should undertake a comprehensive risk assessment.
297. The willingness to try risky things in order to advance mission is one of cathedrals' finest qualities. However, projects may change expectations and can lead to unforeseen issues with consequences both for staff and for resources. It would be beneficial for there to be an ongoing conversation about attitude to risk and the consequences for buildings, clergy and staff, visitors and wider communities.

Funding

298. The Heritage Lottery Fund (HLF) has been generous to cathedrals, awarding over £100m since 1994. However, there is some evidence that the outcomes of HLF can drive cathedral projects in directions they would not otherwise have considered. In some cases, this is beneficial as it promotes new thinking, but the reliance on a single funder is risky and can be burdensome when not fully understood from the outset.
299. Given that the requirement to carry out major projects and handle their impacts is not going to diminish in the near future, it would be sensible for work to be done on strengthening cathedrals as intelligent applicants and clients of HLF. In light of the fact that current changes at the HLF may limit applications to lower financial levels in future, it is necessary that Cathedrals should consider ways of further diversifying income generation (including but not exclusively fundraising) to become less dependent on a single funder.
300. Given the temptation to 'chase the money', it is important for cathedrals to understand and assess their ability to discharge their contractual duties to a funder's requirements and outcomes, before accepting an award or donation.
301. **No major buildings project should start until all funding is committed.** Cathedrals should not enter into legally binding commitments with contractors until they are satisfied the necessary funding will be available to enable them to meet those commitments. Chapter must be certain that it will have access to the funds required for managing cash flow, even if that requires them to take on debt. Access to sufficient liquidity is essential and Chapter should satisfy itself that this is in place before taking up a grant offer or beginning a project.
302. There is much that cathedrals can do themselves to carry out major projects sustainably, but the Working Group recognised that they will always require some level of external funding for repairs and maintenance. This will be necessary for them to continue to carry out the wider civic and missional roles that they currently hold, and which consultation for this report showed was appreciated and expected of them.
303. The Working Group believes that the unique national contribution of cathedrals, including delivery of government policy objectives in areas such as interfaith work and community development, as well as their internationally recognised heritage value, makes continued public funding essential and desirable. Individual cathedrals have proven themselves adept at working with grant funders and

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individual philanthropists, and this report does not seek to compromise those significant efforts.

304. However, in order to address the twin issues of large-scale repair bills and lack of parity between different cathedrals' abilities to raise funds, it is right that consideration be given to fundraising at a national level. A clear understanding not just of liability but also of ability to meet that liability could then be used in conversations with Government and with potential funders, and internally to assess where the greatest risks lie and where particular support from the NCIs and/or AEC may be most needed.

305. It is the strong recommendation of the Working Group that the NCIs and AEC should work jointly on an approach to Government and large philanthropic organisations with the aim of establishing a significant, possibly endowment based, cathedral fabric fund for the UK. This must be carefully considered alongside a funding strategy for parish churches, to ensure the differences in scale and need are fully appreciated.

Summary

306. The scale of major buildings projects in cathedrals is breath-taking, and a huge amount has been achieved across the sector engaging in significant opportunities to develop and enhance cathedral facilities to serve their cities and communities better, but these projects carry major risks which are often badly assessed and poorly managed. Much is already being done to address this situation, and the Working Group hopes that the proposals here will add weight to the growing recognition that more work needs to be done in this area. All of our recommendations will need to be built into an Action Plan which could be taken forward by the cathedral sector and the NCIs, working in partnership together. The Group also firmly recommends a co-ordinated approach to Government to establish a national cathedral fabric fund.

Buildings: List of Recommendations

The Working Group makes the following recommendations:

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| ixiv. | The NCIs and AEC should work jointly on an approach to Government and large philanthropic organisations with the aim of establishing a significant, possibly endowment based, cathedral fabric fund for the UK . This must be carefully considered alongside a funding strategy for parish churches, to ensure the differences in scale and need are fully appreciated |
| ixv. | The Cathedrals and the Cathedral and Church Buildings Division should work with the Cathedral Architects Association to carry out a calculation of known backlog on cathedral repairs, including rough estimated costings |
| ixvi. | Using an economic place-based model, the ability of each cathedral to generate the funds it has identified as needed for buildings projects should be mapped. This calculation should include the potential impact on mission (positive and negative) of addressing the backlog through fundraising and income generating activities, recognising the risks of |

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‘fundraising fatigue’ and a desire by cathedrals not to draw all locally available funds towards themselves to the detriment of other important local causes.

- lxvii. Cathedrals should be supported in developing improved project management and business planning expertise and support at an appropriately senior level. Chapter needs to understand the requirements of good project management and ensure that appropriate structures for this are put in place.
- lxviii. Cathedrals’ handling of risk, including risk appetite and issues of what is appropriate in risk-taking, should be reviewed by the AEC and the NCIs in the light of recent projects with a view to recommending changes and improvements to current practice.
- lxix. This report recognises the potential of the AEC project panel, and endorses its creation of a pool of experts who can help to guide the successful identification and initiation of projects. Continuation and refinement of this resource pool should be a priority both for cathedrals and the NCIs
- lxx. The impacts of any project on the longer-term running costs of the cathedral (staff and maintenance), any changes in staff which may be required and any impact of increased visitor numbers should be considered as part of an early business planning stage in any project.
- lxxi. The buildings section of the AEC self-assessment toolkit should be revised to strengthen assessment of project management capabilities. We also recommend that the AEC’s Chapter training include an option on buildings management, including revenue planning and how to estimate long term building and maintenance costs.
- lxxii. Before embarking on any project, a skills audit of Chapter and available staff is undertaken. A gap analysis should then be carried out to map the additional resource required.
- lxxiii. Following these exercises, the governance and management of projects should be established in a way that creates clear lines of responsibility and communication. Project governance and management should be understood as two different competencies, and established through a separate project management board made up of staff and clergy.
- lxxiv. No major buildings project should start until all funding is committed. Cathedrals should not enter into legally binding commitments with contractors until they are satisfied the necessary funding will be available to enable them to meet those commitments

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SAFEGUARDING

Safeguarding

Introduction

307. We have said at the start of this report that cathedrals are special places, threshold buildings which connect the human with the divine. This is only possible if they are safe spaces for everyone, including children and vulnerable adults. Although we have put the safeguarding section towards the end of the report, we believe that safeguarding is fundamental to cathedrals' mission and essential to their continued existence.
308. Cathedrals work extensively with children and vulnerable adults. Children and young people in choirs, participants in choral outreach projects, schools and wider learning programmes, as well as extensive holiday and outreach activities are evidence of lively mission. Many adults as well as children come to cathedrals in search of pastoral care, or simply refuge and shelter, and cathedrals work hard to offer a welcome to all, including some who are very vulnerable.
309. The open nature of cathedrals, allowing people to come and go, creates a context which requires careful management and oversight to ensure that cathedrals are, and remain, safe for everyone. Ensuring that children and vulnerable people are safeguarded requires the right policies, people and processes. But above all it requires a culture which puts those who are at risk right at the centre of ministry and of management and governance attention.
310. It requires the whole community to work to prevent the abuse of power. Jesus himself put children at the centre of the attention of His followers and of religious people generally, and He attended to the longings of the vulnerable. As His followers, we need to learn from Him.
311. Cathedrals' record of ministry has demonstrated how they can be places where their power has been used to further the kingdom. But they are hierarchical institutions where young or vulnerable people can find it hard even to find a place or words to talk of their experiences. Cathedrals must therefore give absolute priority to safeguarding them. This priority includes, in practice, the allocation of time and resource, and a readiness on the part of deans and Chapter members to be accountable to statutory and Church authorities.
312. Twenty-five years ago, the Howe report did not look in any detail at safeguarding of children and vulnerable adults within the cathedral sector. Societal changes – particularly in the last 5-10 years – have meant that safeguarding is now a paramount social issue, and one which preoccupies all of our public institutions.
313. We are aware that the Church of England has itself been on a long and painful journey with regards to safeguarding and that it still has a long way to go. A National Safeguarding Team (NST) was established in 2014 and since then much has been done at national and diocesan level to strengthen and coordinate safeguarding policy and practice.
314. It is not our role in this report to run through all the very substantial work that the church has been doing on safeguarding in recent years. Nor is it our place to comment on the wider debates and controversies on casework handling, the operational structure for safeguarding within the Church or broader safeguarding policy matters.

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315. In this section, we therefore restrict our comments to how safeguarding fits into the **governance** of cathedrals, something which is central to this Working Group's Terms of Reference. We are aware that other debates are on-going. Our hope is that our recommendations will make a contribution to these broader debates.

Church of England Policy and Practice Guidance on Safeguarding

316. Within the Church of England, safeguarding is regulated by House of Bishops policies and practice guidance. Under section 5 of the Safeguarding and Clergy Discipline Measure 2016, all clergy are required to 'have due regard' to this policy and practice guidance, meaning that they must comply with it unless they can demonstrate a compelling legal reason not to do so.

317. The latest Practice Guidance issued by the House of Bishops on the *Key Roles and Responsibilities of Church Office Holders and Bodies*¹ states that it is the duty of the Diocesan Bishop to:

*Seek to ensure that there is a structure to manage safeguarding in the diocese with clear lines of accountability between diocesan groups and bodies. In addition to ensure that there are clear arrangements in place with **cathedrals** [our emboldening] and any other relevant Church bodies e.g. religious communities, TElS;*

318. The practice guidance goes on to stipulate that dioceses should ensure that all Church-related bodies in the diocese should have

agreed safeguarding arrangements in place supported by information sharing protocols.

319. The guidance notes that with regards to cathedrals,

Some dioceses have a formal agreement with cathedrals to provide joint safeguarding arrangements. If there are separate arrangements, the DSA should liaise regularly with the named safeguarding leads in cathedrals and offer advice on safeguarding matters, as required. Some cathedrals have employed a professional safeguarding adviser. In these situations they must work closely with the DSA. All concerns or allegations against church officers must be reported to the DSA.

Role of the Dean and the Chapter

320. Section 5 of the House of Bishops guidance sets out in detail the role and responsibilities of the dean and the Chapter. It makes clear that it is the responsibility of the dean

to provide leadership concerning safeguarding, and to encourage everyone to 'Promote a Safer Church'.

321. The practice guidance requires the dean to provide an annual safeguarding report to the bishop. The guidance makes clear that the Chapter has a collective responsibility to oversee safeguarding in the cathedral, to ensure compliance with Church policies and practice guidance, to appoint staff and to liaise closely with the diocese and statutory authorities. By default, under the practice guidance, the

¹ See <https://www.churchofengland.org/sites/default/files/2017-10/roles-and-responsibilities-practice-guidance.pdf>

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dean is the nominated safeguarding lead on the Chapter. He or she may wish to nominate another member of Chapter to lead on this to support their duties in this area.

322. The Working Group recommends that their respective responsibilities for safeguarding are included in the role description for every member of Chapter. We recommend that every assurance review and self-assessment exercise should check that these responsibilities are being discharged effectively. Every cathedral should publish an annual safeguarding report as part of their Annual Report, outlining key issues and progress made in the area of safeguarding.

323. We note that deans, senior cathedral clergy and staff are being included in the roll-out of national safeguarding training initiatives, which we see as a welcome development.

Safeguarding audits of cathedrals

324. In April 2016, the Deans' Conference nominated the Very Revd Stephen Lake, Dean of Gloucester as Lead Dean for Safeguarding. He now sits on the main national body for safeguarding, the National Safeguarding Steering Group (NSSG) as well as the church's steering group on the Independent Inquiry into Institutional Sexual Abuse (IICSA). At the time of his appointment, he said the following:

Cathedrals have been on a journey into deeper and better safeguarding provision like the rest of the Church. The context and complexity of cathedrals is different to that of the dioceses, but cathedrals are often on a front line of safeguarding risks because of the nature of their specific ministry. Cathedrals are committed to excellence in safeguarding provision and yet are often difficult to compare in scale and contact. Equally, the depth and rigour of interaction in safeguarding between cathedrals and dioceses ranges from excellent to modest. As the dean is ex-officio a member of the bishop's staff team, it ought to be obvious and regularly reviewed that this interaction is in place as a mutual responsibility. Moving from self-evaluation, through some involvement in diocesan SCIE [Social Care Institute for Excellence] processes, to specific, named responsibilities and functions in the National Policy, Regulations & Practice Guidance, to having a dean on the NSSG and IICSA groups is good progress. Cathedral specific SCIE-like audits would be welcomed and are planned

325. The dioceses of the Church of England have already undergone a Safeguarding Audit process which has been carried out by an external organisation, the Social Care Institute for Excellence (SCIE). These are due to be completed in all 42 dioceses by the end of 2017.

326. The cathedral sector has not yet undergone a similar process of external safeguarding audits, although the SCIE will be carrying these out in 2018. The Working Group would like to put on record our support for an Independent Audit of cathedrals, and the Learning Together approach contained within it.

327. In the meantime, the diocesan audits have sometimes touched upon cathedral safeguarding matters, particularly where there are already joint safeguarding arrangements in place between the diocese and cathedral. In some dioceses, the SCIE audits have considered the handling of diocesan casework which has also involved the cathedral.

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328. From this slightly fragmented contact with the sector, the NST have informed us that they have managed to draw some conclusions about how safeguarding is currently operating in cathedrals. Some of these are reported here.

329. Some positive findings from the diocesan SCIE audits included the following examples of good practice:

- Joint working on safeguarding between Gloucester Cathedral and the diocese, where the cathedral has a service-level agreement in place with the Diocesan Safeguarding Team. This enabled the cathedral to access professional support on casework handling and safeguarding training for cathedral staff, volunteers and clergy.
- Southwark Diocese where the Diocesan Safeguarding Team offers an 'extended' safeguarding service to the cathedral involving casework support, advice and bespoke training.

330. Other diocesan reports which included positive comments about the relationship between the diocese and cathedral included Bath & Wells, Carlisle, Coventry, Ely, Liverpool, Newcastle and York.

Self-assessment checklists and past cases reviews

331. In 2015, most cathedrals completed Self-Assessment Safeguarding Checklists sent out by the NST. These checklists were largely based on a diocesan checklist developed for the House of Bishops, which the Deans Conference adapted and adopted for implementation across the cathedral sector. The completed checklists were reviewed towards the end of 2015 by the NST and highlighted the significant improvements that have been made across cathedrals in recent years.

332. We note from the NST that questions remain about how many cathedrals undertook a Past Safeguarding Cases review during 2008 – 2010 and whether those that did so followed the House of Bishops protocol of the time. We understand that Sir Roger Singleton, the former Chief Government adviser for safeguarding, has been conducting a review of the adequacy of the past case review work for the Church of England.

333. At time of writing, this work is near its conclusion and will report in December, with the recommendations being presented to the National Safeguarding Steering Group in January 2018. It has focused on all previous past review work, including any work that was undertaken in relation to cathedrals. We have been informed that the report will find that there are still some cases of concern, including in the cathedral sector, and will recommend that further action is taken.

334. We support the emerging recommendations of Sir Roger's report which will conclude that any further past case review work needs to be carried out in accordance with a revised national protocol and by a pool of independent and experienced auditors commissioned by the NST. This will ensure quality and consistency, information-sharing and the identification of individuals that may have or continue to pose a risk across a number of Church bodies.

335. This is in response to the learning from the previous past case review where, although there was a national protocol, it was left to individual church bodies to apply - leading to inconsistent quality and gaps.

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336. As with other safeguarding arrangements, the Working Group would recommend that the past case review work for cathedrals is aligned with the diocese and the national approach.

Joint working on safeguarding with dioceses

337. At a practical level, we see considerable benefits in cathedrals being able to access safeguarding expertise held at diocesan level (and sometimes this dynamic can work in the other direction in the case of the larger cathedrals). We also think that joint-working arrangements between all cathedrals and their dioceses would be a considerable step forward in implementing the “whole church” approach to safeguarding supported by the House of Bishops.

338. We also note however that the July 2016 SCIE overview report to the Church of England has pointed out that joint-working arrangements between cathedrals and dioceses vary widely and are not in place across all dioceses.

339. The Working Group takes the view that all cathedrals should work jointly with their diocese on safeguarding, and move towards this at the earliest possible opportunity. This is an area where the relative independence of cathedrals does not just lead to operational failings, it puts children and vulnerable adults at risk and damages the mission of cathedrals. This must be an imperative for the wider church and for the cathedrals sector itself. Cathedrals and dioceses must work together on safeguarding.

Safeguarding and the whole Church

340. The cathedral sector has made considerable progress in the area of safeguarding within the last 18 months. Many cathedrals have overhauled their safeguarding arrangements and taken on more staff to comply with national policy.

341. But we are also aware that much more needs to be done. In particular, we remain concerned that further progress in the area of safeguarding cannot be left to chance or voluntary compliance.

342. There are specific issues that need to be addressed as follows:

- Cathedrals do not seem to have a uniform approach to safeguarding across the sector
- In some cases, they are not able to access all the expertise they need whether through unwillingness to do so or lack of resources
- Not all cathedrals are yet working with their diocese on a joint approach to safeguarding.

343. We note that the Church of England is committed to promoting a ‘whole church’ approach to safeguarding. In regulatory and compliance terms this means that all Church of England bodies come under the ‘umbrella’ of the House of Bishops safeguarding policy and (where appropriate) canon law relating to safeguarding and clergy discipline. Church of England national policy and practice guidance now tends to apply to all Church bodies, including the cathedrals sector.

344. We would also suggest that the ‘whole church’ approach applies in other ways too. Cathedrals are part of the broader Church, they are flagships of its mission, their reputational and financial failings damage the whole Church. The general public, visitors and worshippers see no difference between diocese and cathedral,

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local church and the Church of England as the established church of this country. This is something that has been pointed out to the Church by its external safeguarding auditors when carrying out audits of dioceses.

345. We note that as matters stand it is only the clergy in a cathedral who are subject to the statutory requirement in section 5 of the Safeguarding and Clergy Discipline Measure 2016 to have due regard to the House of Bishops' guidance on Safeguarding. We also note that the provisions relating to disqualification and suspension on safeguarding grounds that apply to parochial church councils and certain other Church bodies (see rules 46A – 46D of the Church Representation Rules) do not apply to cathedrals. Legislation should be amended so that cathedral Chapters are subject to the same statutory requirements as regards safeguarding as PCCs and other Church bodies.
346. While the Working Group endorses the 'whole church' approach of the National Safeguarding Team, and the national and House of Bishops current policies and processes as necessary steps in giving assurance of progress, we recognise that mere compliance will not create culture change. Cathedrals will need to continue to work collaboratively with the wider Church to reflect on their learning so the whole Church develops greater expertise in handling the ongoing safeguarding management and oversight challenges.

Summary

347. While progress has been made in recent years, we remain concerned that the cathedrals sector may be lagging behind in the area of safeguarding. We call on the cathedrals sector to address these failings as a matter of urgency.

Safeguarding: List of recommendations

348. The Working Group makes the following recommendations:

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- lxxv. All cathedrals should work jointly with their diocese on safeguarding, and move towards this at the earliest possible opportunity
- lxxvi. The proposed Independent External Safeguarding Audits by SCIE should go ahead as planned and be completed at the earliest opportunity. Every assurance review and self-assessment exercise should check that safeguarding responsibilities are being discharged effectively
- lxxvii. The past case review work for cathedrals should be aligned with the diocese and the national approach.
- lxxviii. Chapter responsibilities for safeguarding, as identified in the House of Bishops Policy Statement on Safeguarding in May 2017, should be included in the role description for every member of Chapter.
- lxxix. Chapter needs to discharge its collective responsibility for safeguarding conscientiously
- lxxx. Every cathedral should publish an annual safeguarding report as part of their Annual Report, outlining key issues and progress made in the area of safeguarding.
- lxxxi. Legislation should be amended so that cathedral Chapters are subject to the same statutory requirements as to safeguarding as PCCs and other church bodies.

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349. The level of interest in this report has been a reflection of the continuing significance of cathedrals in church and nation.
350. In presenting our recommendations we recognise the diverse constituencies that make up the cathedral sector, and the fact that some of our proposals may prove unpalatable or unpopular. We have stopped short of some more radical options but still feel that if we are going to strengthen cathedrals and sustain their national impact, we need to make some legislative changes. We look to General Synod and Parliament for support in this.
351. Our recommendations should be viewed as whole. We urge against ‘cherry-picking’ certain recommendations and ignoring others as they all need to be held together in a coherent fashion.
352. The central message in our report is this: **there is something remarkable to celebrate in the life of cathedrals, and something serious to be addressed.** We want to hold these two things in counterpoint, celebrating and affirming the unique contribution of cathedrals to the quinquennial goals, while recognising that recent high-profile cases have exposed some underlying issues with governance and management that need to be addressed. The mirror image to the cathedrals’ national profile is the potential reputational damage to the Church of England if something goes badly wrong.
353. Opinions have differed as to whether the 1999 Cathedrals Measure is ‘good enough’ and can be made to work effectively as it is, or whether the presenting issues make it necessary to revise it. It is our belief that, while much can be done within the current arrangements to make them work better, the inadequacies of the Measure have been exposed and there is a need for legislative change to correct them.
354. In proposing changes to governance structures and aspects of cathedral operations, we do not wish to destabilise the sector in any way, or inhibit the entrepreneurial flair that has characterised so much that is good about the world of cathedrals. However, we are concerned to protect cathedrals against unnecessary and inappropriate risk in order to enable them to flourish even more in to the future.
355. We have tried to weigh carefully what ‘good governance’ looks like for a cathedral. Our governance proposals retain the Chapter as the governing body of the cathedral (‘its praying heart is also its governing heart’) but clearly separate governance and management in order to ensure a proper focus for the Chapter.
356. We recognise that cathedrals have hitherto been among the least-regulated of any Church or charitable body, and in addressing this we have been careful to avoid the pendulum swinging too far in the opposite direction. In composing the Chapter as the trustee body we have recommended certain checks and balances to ensure an appropriate level of accountability and scrutiny.
357. The opaque nature of the Council and College of Canons within the corporate body is addressed, and the bishop is given a more direct relationship with the Chapter, while still respecting the historic ecclesiological pattern.
358. We hope that the publication of our report will encourage a much closer collaboration between cathedral and diocese, dean and bishop. We have attempted to clarify the role of the bishop in relation to the cathedral, and to point

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towards good practice in a cathedral's wider relationships with the diocese and the NCIs. The mutuality of these relationships is vital and requires a less defensive approach than has sometimes been the case.

359. Alongside the question of governance, our report proposes a separation and strengthening of cathedral management in order to embed an operational step-change across the sector. We are aware that these arrangements place very significant responsibility on the Chapter, especially the dean. It is vital that they are supported in carrying out these tasks, and that appointment, induction, training, development and support systems reflect the duties expected of all those involved.
360. This anticipates a positive response within individual cathedrals but also from the national Church, to whom we look for additional support.
361. The detailed recommendations around finance reflect the fact that cathedral finances are under considerable pressure, and represent a substantial area of risk. Across the sector as a whole there is significant under-investment in financial management, and this needs to be addressed as a priority. This of course raises questions of funding and access to suitably qualified staff, Chapter members and financial advisers. We recognise the challenges inherent in this, but have made a number of proposals to address them, alongside some more forensic recommendations about financial systems and processes.
362. Two other major risk areas are addressed: buildings projects and safeguarding. Major buildings projects now play a large part in the life of many cathedrals. They generate issues that read across clearly to our observations on governance, management and finance, and they require specific attention from Chapters, for which we make some clear proposals. Safeguarding is an area where good progress has been made but from a very low base, meaning that there is still a considerable amount to do, and this work remains urgent for the cathedral sector. We are confident that our proposals on governance and management will create a framework within which both of these key areas can be better addressed.
363. Cutting across our report at various points is the question of state funding. We are of the view that the unique nature of cathedrals, and their contribution to the life of the nation, justifies the use of public funds to support them. A dialogue with Government should be opened up about this as a matter of urgency, given the scale of the financial challenges they face.
364. We trust that there is a coherence and a cogency to our proposals, which we offer to the Archbishop's Council and the wider Church for consideration and discussion.
365. Following this period of re-consultation, and once the recommendations are agreed and accepted, we look to the Archbishop's Council to draw up an implementation plan. Implementation will be vital to make this vision hang together and we are aware that this will be a significant piece of work, which we commend to the Archbishops' Council to request its Secretariat to take forward.

Now to him who by the power at work within us is able to accomplish abundantly far more than all we can ask or imagine, to him be glory in the church and in Christ Jesus to all generations, forever and ever. Amen. (Ephesians 3:20-21)

FOR AND ON BEHALF OF THE CATHEDRALS WORKING GROUP

RT REVD ADRIAN STEPNEY

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CHAIR OF THE CATHEDRALS WORKING GROUP

JANUARY 2018

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ANNEX A

Full List of Recommendations

General

These recommendations should be considered and (if adopted) implemented as a whole rather than being cherry-picked.

Ecclesiology

- i. The Church should encourage and commission further work on the ecclesiology of cathedrals and their relation to bishop, cathedral, diocese and the NCIs
- ii. Bishops should be encouraged to make full use of the powers they already possess under the Cathedrals Measure, working together with deans to utilise the significance of the cathedra in the liturgical, teaching and missional life of the Diocese
- iii. There should be greater clarity about, and development of, the remit of the Third Church Estates Commissioner to provide oversight of the link between the Church Commissioners and cathedrals, including the work of the AEC and CAFA
- iv. There should be a revision of the Terms of Reference for the Cathedrals and Bishoprics Committee of the Church Commissioners to enable the Third Church Estates Commissioner and Commissioner Deans to resource the committee in its work of reviewing, funding and developing the work of cathedrals
- v. There should be an audit by the new Cathedrals Liaison Officer of the work currently provided by the NCIs to resource and regulate cathedrals and an assessment of how this work should develop in service of the mission of cathedrals.

Governance

- vi. **The Governing body** of a cathedral should be a Chapter comprising the dean as chair, an independent lay vice-chair nominated by the diocesan bishop, residentiary canons, and mostly 'non-executive' members
 - o In order to ensure effective governance and operation, it is anticipated that a Chapter would comprise at least 8 but not normally more than 12 members
 - o The dean and residentiary canons would form a minority of the members of the Chapter.
 - o The non-executive members should be appointed by the Chapter itself (but subject to the approval of the diocesan bishop. The Chapter should have a Nominations and Development Committee to facilitate this.
 - o At least two-thirds of the non-executive members would be laity

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- The diocesan bishop would appoint one senior independent lay member of the Chapter as Vice Chair
- There would be no requirement for non-executive members to be communicant Anglicans, but they should be practising Christians
- The dean would be the chair with the bishop's nominee as lay vice-chair.
- Of the non-executive members, at least one must be appointed with current, relevant financial expertise; others, ideally, would include members with current and relevant risk and property expertise
- The cathedral's Chief Operating Officer (formerly Administrator) and Chief Financial Officer would attend in an advisory capacity but would not be members of the Chapter due to the potential conflict of interest.
- vii. In order to make a clear distinction between governance responsibility and management, the Chapter would establish a **Senior Executive Team** comprising the dean, the Chief Operating Officer, the Chief Financial Officer and other appropriate persons, including departmental heads, both clerical and lay. The Senior Executive Team would have an operational focus on day-to-day running of the cathedral, with Chapter having a clear oversight role.
- viii. All cathedral staff and clergy should report ultimately to the dean
- ix. The Chapter would be the corporate body of the cathedral. The members of the Council and of the College of Canons would accordingly cease to be members of the corporate body and take on other functions to reflect their links with the wider community and diocese.
- x. The Chapter would have responsibility for making changes to the constitution and statutes, subject to approval by the bishop and a national Church body.
- xi. The Chapter would be required to appoint a Finance, Audit and Risk Committee chaired by a non-executive Chapter member, to provide oversight of the activities of the cathedral and its management in the areas within its remit. The scope of the responsibilities of this committee, together with pro forma Terms of Reference, are set out in Annexes D and E. Where sufficient resources of the necessary calibre and experience are available in a cathedral's locality, it would be best practice to have an Audit and Risk Committee separate from the Finance Committee.
- xii. The chair of each committee would report formally to Chapter and minutes of all committee meetings would be provided to Chapter.
- xiii. The diocesan bishop would:
 - remain the Visitor and retain the role of approving amendments to the constitution and statutes
 - appoint an independent lay member to the Chapter who would also act as the vice-chair

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- have the right of approval in respect of the appointment of the other non-executive members of the Chapter
 - have the right to attend Chapter meetings and be expected to attend at least one Chapter meeting each year
 - appoint residentiary canons (subject to the approval of the dean) except where these are Crown appointments
 - receive the statutory annual report and financial statements of the Chapter
 - commission a quinquennial assurance review and receive its report (see below).
- xiv. **The Council** would be reconstituted and function as a forum for stakeholder engagement with the wider community. It would cease to have functions of reviewing and advising on the direction and oversight of the work of the Chapter. The number of Chapter members on the reconstituted Council would be reduced. In the case of a parish church cathedral, the composition of the Council would reflect parish as well as diocesan interests.
- xv. **The College of Canons** would continue to exist but its functions – other than the election of the bishop – would not be prescribed. Instead it would have such functions as were conferred on it by the Chapter.
- xvi. **A quinquennial assurance review** would be undertaken for each cathedral at least once every 5 years, commissioned by the bishop after consultation with the dean, to provide assurance that appropriate governance, management, financial and operational controls are in place and operating effectively. The assurance review report would be provided to the bishop and copied to the Chapter and to the national Church. A non-routine review could be requested by the bishop if considered necessary.
- xvii. **Visitation** would remain as a formal legal enforcement and dispute resolution mechanism but would not in practice be used as the normal means of reviewing and bringing about improvements in financial or other governance matters. It would be available to resolve disputes of a specifically legal nature (for example as to the construction of, or disputes arising under, the constitution and statutes) in which case the bishop would normally be expected to commit its exercise to an ecclesiastical judge.
- xviii. **Residentiary canon appointments** should be made subject to the approval of the dean and should report to the dean under the new management structure
- xix. Any duplicating legislation for **parish church cathedrals** should be removed. Parish church cathedrals should come under the same legislative and governance arrangements as the rest of the cathedrals sector.
- xx. **Charity Commission regulation** - The Charities Act 2011 should be amended so that cathedrals become subject to the jurisdiction of the

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Charity Commission and cease to be subject to regulation by the Church Commissioners.

Leadership, Management and People

- xxi. All cathedral clergy and staff should come under the ultimate authority of the dean
- xxii. Ministerial Development Review (MDR) for deans
 - Should happen on an annual basis
 - Should be conducted jointly by the bishop and the non-executive lay vice-chair who is the bishop's nominee on Chapter
 - Should be aligned with the collegiate objectives of the Chapter
 - Should include feedback from key stakeholders including senior diocesan staff, civic leaders, the cathedral community,
 - Alongside their priestly function, deans need to be recruited, inducted and trained for tasks attaching to their leadership role in the cathedral
 - They need to be given access to specialist support in areas such as finance, asset management, project management and the marketing of a heritage site.
- xxiii. Residentiary canon roles should be seen as a developmental opportunity at an early or mid-point in a clergyperson's ministry, enabling them to learn new skills and move on after an appropriate period to their next role
- xxiv. In terms of MDR for residentiary canons, Archbishop's Council guidance on how MDR is to be conducted at cathedrals should be amended, such that under the guidance of the bishop:
 - Deans would conduct an annual MDR for residentiary canons
 - MDR would be conducted in the context of the collegiate objectives of the Chapter
 - Residentiary canons would be assessed against their operational responsibilities
 - The MDR would provide for feedback from key stakeholders
- xxv. All cathedral appointments should involve the following:
 - A clear role description, stating the review and reporting arrangements
 - External advertising and search process
 - Shortlisting and interviews by an appropriate panel (in the case of residentiary canons to include both the bishop and the dean)
 - There should be a clear link between the role profiles of the cathedral clergy and the wider cathedral strategic objectives.
- xxvi. Chapters should review all role profiles annually alongside any review of strategic objectives.
- xxvii. The national Church should review the current appointment process for deans to take account of the changes proposed in this report for the role and responsibilities of a dean.

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- xxviii. The Nominations and Development Committee should be charged with reviewing the skills/experience requirements for effective governance, ensuring that formal appointment processes are in place with clear accountabilities and due diligence in relation to safeguarding, financial probity, etc, and ensuring that development, training and review processes are happening for all appointments (including the dean and residentiary canons).
- xxix. Chapter should conduct an annual review of people-related risks and issues. This should include an assessment of the skills on the Chapter and the identification of any skills gaps and how they might be filled. It should also flag up issues for key staff posts.
- xxx. Learning and development services delivered by the NCIs to the wider Church should be extended to ensure proper induction training for people joining Chapters, to understand the general elements of cathedral working, finance/accounts, the structures of governance and operational systems. Work on this should be done in collaboration with the AEC.
- xxxi. Chapters should develop local induction plans for areas specific to each Cathedral (for example strategy, finance, roles and responsibilities, policies etc).
- xxxii. Chapters should ensure regular board development and clear induction planning throughout the life of a Chapter and at times of change.
- xxxiii. Renewable fixed term Chapter appointments for non-executive members should be used to review and refresh the skill set on Chapters
- xxxiv. In general, no non-executive member of Chapter should hold this role for more than ten years, although we accept that in some cases cathedrals will need to extend tenure for certain valid reasons.
- xxxv. The Nominations and Development Committee should identify appropriate training needs within their regular skills audit.
- xxxvi. NCIs should find further and adequate resource for induction and training to support deans and residentiary canons in the specific demands of their roles.
- xxxvii. Chapters should establish a **Senior Executive Team** comprising the dean, the Chief Operating Officer, Chief Financial Officer and other appropriate persons including departmental heads, both clerical and lay. The Senior Executive Team should have day-to-day responsibility for the cathedral's operations and be chaired by the dean or Chief Operating Officer.
- xxviii. Quinquennial assurance review should be used to review management, financial and operational controls more broadly every five years.
- xxxix. The term 'Administrator' should be replaced by 'Chief Operating Officer' in cathedral legislation in order to attract people with strong operational expertise in to the role.
- xl. Diocesan arrangements for counselling and mediation should be extended to cathedrals, in order to provide clergy/Chapters with access to facilitated individual or group relational improvement work in the case of relationship breakdown.
- xli. The AEC should work with the Deans Conference to propose good practice for cathedrals to follow in relation to Whistle-blowing.

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Finance

- xlii. The role of Chief Financial Officer (CFO) should be prioritised by Chapters in order to hire the level of expertise required.
- xliii. For future appointments, each cathedral CFO must hold a recognised accountancy or finance qualification.
- xliv. Each cathedral's CFO should work closely with the cathedral's Chief Operating Officer (formerly the cathedral administrator) and be in attendance at meetings of the Chapter and the Finance, Audit and Risk Committee (or separate committees)
- xliv. All cathedrals should undertake a skills audit of Chapter, its sub-committees (including Finance, Audit and Risk) and the senior executive team to ensure that there is sufficient professional expertise appropriate to running small to medium-sized businesses, especially in terms of skills and experience relating to property, finance, risk management, operations and fund-raising.
- xlvi. The national Church, in liaison with CAFA, should produce a list of the areas which need to be covered by financial operating standards, and the controls required to be put into effect by every cathedral.
- xlvii. All cathedrals should undertake a detailed review of their funds to ensure that their classification amongst endowment, restricted, designated (a sub-classification of unrestricted) and unrestricted accords with charity law.
- xlviii. The new Chief Finance and Operations Officer of the NCI's should take forward scoping work to establish a national support services function for the cathedral sector, liaising with representatives from cathedrals, with consideration specifically being given to those services where it is inefficient and/or uneconomic for cathedrals to employ full or part time resources locally, or to maintain competence over time.
- xliv. All cathedrals should produce monthly management accounts on a timely basis (within 3-4 weeks of month end) which should contain a commentary, statement of financial activities by fund, balance sheet, cash flow statement and rolling year-ahead cash flow forecast.
 - I. Consideration should also be given to the development of a model set of management accounts, including cash flow forecast, by the national Church.
 - ii. Rolling five-year plans should be produced and updated annually, and shared with the national Church.
 - iii. Cathedrals' annual reports and financial statements should comply with the accounting guidelines for English Anglican Cathedrals and the Charities SORP (FRS102), including specifying the distinction between endowment, restricted, designated and other unrestricted funds.
 - iiii. A standard year-end date of 31 December should be implemented.
 - iv. The statutory annual report should address, inter alia, the financial condition of the cathedral (including whether it is a going concern), the principal risks which the cathedral faces, its reserves policy and its approach to financial

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management and control.

- iv. The following data should be provided by each cathedral, in addition to the statutory annual report and financial statements, to the national Church:
- the results of Chapter's annual AEC Peer Review Process Self-evaluation
 - budget and forecast cash flow for the forthcoming year
 - rolling five-year plan, as updated annually
 - summary management accounts at the year-end (and, ideally, at each quarter-end) highlighting variances against budget and including the reserves position at the beginning and end of the period, analysed between unrestricted, restricted and endowment funds
- lvi. Cathedral auditors should be selected from a nationally-recommended panel of auditors, comprising both national and regional firms that are assessed for their suitability to perform this task.
- The Audit & Risk Committee (or Finance, Audit and Risk committee, if combined) of each cathedral should review the quality of their external audit and the performance of their audit firm annually, with the lead external partner being changed at least every 7 years, the external audit being tendered at least every 10 years, and the audit firm being changed at least every 20 years, in line with UK corporate practice.
- lvii. Cathedrals should follow the advice issued by the Financial Policy and Planning unit (via CAFA) on selecting auditors. This advice should be updated in accordance with the recommendations in the Working Group report.
- lviii. A cathedral should be able to demonstrate that that any prospective debt can be appropriately serviced and repaid prior to entering into any term loan, bond or bank overdraft.
- lix. To the extent that any prospective debt would cause the total borrowings of a cathedral to exceed the lower of 10% of its annual unrestricted income or £1million, the cathedral should consult with a national Church body to ensure that the Church is aware of the cathedral's prospective liabilities.
- lx. The Church Commissioners should formalise their informal approach to varying total cathedral grants each year in line with changes to Bishops' grants and Parish Mission and Ministry grants.
- lxi. The costs of chancel repair liabilities, and consequently the need for section 25 grants, should be removed from the cathedrals' funding process. Cathedrals should transfer the management and administration of their chancel repair liabilities to the Church Commissioners on the understanding that the Church Commissioners would make grants to cover 100% of the cost of these liabilities.
- lxii. Current sections 21 and 23 grants should be treated as a single funding pool

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- lxiii. Each cathedral covered by the Cathedrals Measure should receive a minimum grant equivalent to the stipend, pension and national insurance costs of its dean and two full-time equivalent residentiary canons.
- lxiv. Consideration should be given by the national church bodies, in consultation with the AEC and cathedral COOs and CFOs, to revising the basis of the allocation of the residual funding (ie beyond the costs of a dean and two full-time equivalent residentiary canons), based on financial need, but rewarding enterprise, good governance and financial management, and that the scale of financial obligations and historical financial and other assets are taken into account.
- lxv. Consideration should be given to releasing further funding for cathedrals from within the Church Commissioners Funds.
- lxvi. A dialogue should be opened up with government regarding possible state funding for cathedrals.

Buildings

- lix. The NCIs and AEC should work jointly on an approach to Government and large philanthropic organisations with the aim of establishing a significant, possibly endowment based, **cathedral fabric fund for the UK**. This must be carefully considered alongside a funding strategy for parish churches, to ensure the differences in scale and need are fully appreciated
- lx. The Cathedrals and the Cathedral and Church Buildings Division should work with the Cathedral Architects Association to carry out a calculation of known backlog on cathedral repairs, including rough estimated costings
- lxi. Using an economic place-based model, the ability of each cathedral to generate the funds it has identified as needed for buildings projects should be mapped. This calculation should include the potential impact on mission (positive and negative) of addressing the backlog through fundraising and income generating activities, recognising the risks of 'fundraising fatigue' and a desire by cathedrals not to draw all locally available funds towards themselves to the detriment of other important local causes.
- lix. Cathedrals should be supported in developing improved project management and business planning expertise and support at an appropriately senior level. Chapter needs to understand the requirements of good project management and ensure that appropriate structures for this are put in place.
- lx. Cathedrals' handling of risk, including risk appetite and issues of what is appropriate in risk-taking, should be reviewed by the AEC and the NCIs in the light of recent projects with a view to recommending changes and improvements to current practice.
- lxi. This report recognises the potential of the AEC project panel, and endorses its creation of a pool of experts who can help to guide the successful identification and initiation of projects. Continuation and refinement of this resource pool should be a priority both for cathedrals and the NCIs

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- lxii. The impacts of any project on the longer-term running costs of the cathedral (staff and maintenance), any changes in staff which may be required and any impact of increased visitor numbers should be considered as part of an early business planning stage in any project.
- lxiii. The buildings section of the AEC self-assessment toolkit should be revised to strengthen assessment of project management capabilities. We also recommend that the AEC's Chapter training include an option on buildings management, including revenue planning and how to estimate long term building and maintenance costs.
- lxiv. Before embarking on any project, a skills audit of Chapter and available staff is undertaken. A gap analysis should then be carried out to map the additional resource required.
- lix. Following these exercises, the governance and management of projects should be established in a way that creates clear lines of responsibility and communication. Project governance and management should be understood as two different competencies, and established through a separate project management board made up of staff and clergy.
- lx. No major buildings project should start until all funding is committed. Cathedrals should not enter into legally binding commitments with contractors until they are satisfied the necessary funding will be available to enable them to meet those commitments

Safeguarding

- lix. All cathedrals should work jointly with their diocese on safeguarding, and move towards this at the earliest possible opportunity
- lx. The proposed Independent External Safeguarding Audits by SCIE should go ahead as planned and be completed at the earliest opportunity. Every assurance review and self-assessment exercise should check that safeguarding responsibilities are being discharged effectively
- lxii. The past case review work for cathedrals should be aligned with the diocese and the national approach.
- lxiii. Chapter responsibilities for safeguarding, as identified in the House of Bishops Policy Statement on Safeguarding in May 2017, should be included in the role description for every member of Chapter.
- lxiv. Chapter needs to discharge its collective responsibility for safeguarding conscientiously
- lxv. Every cathedral should publish an annual safeguarding report as part of their Annual Report, outlining key issues and progress made in the area of safeguarding.
- lxvi. Legislation should be amended so that cathedral Chapters are subject to the same statutory requirements with regards to Safeguarding as are PCC's and other Church bodies.

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CATHEDRALS WORKING GROUP: MEMBERSHIP AND TERMS OF REFERENCE

Terms of Reference

The Cathedrals Working Group has been established by the Archbishops in response to the request from the Bishop of Peterborough in his Visitation Charge "to look at whether the current Cathedrals Measure is adequate, and to consider revising it".

The Working Group will therefore review the sufficiency of the Cathedrals Measure in relation to governance structures in cathedrals, with particular reference to:

- Financial management
- Major buildings projects
- Safeguarding
- Accountability, oversight and scrutiny

The Working Group will also review:

- Leadership capacity, including training and development needs for deans and Chapters
- The relationship of cathedral governance structures to other key partners, especially the Diocesan Bishop, Diocese and Church Commissioners
- The planning, execution, communication and implementation of Cathedral Visitations

The Working Group will report back initially to the Archbishops' Council, Church Commissioners and House of Bishops in December 2017, with any recommendations for the revision of the Cathedrals Measure and any other relevant findings.

Membership of the Cathedrals Working Group

- Chair: Rt Revd Adrian Newman, Bishop of Stepney
- Vice-Chair: Very Revd Vivienne Faull, Dean of York
- Mrs Julie Dziegiel, member of General Synod (Oxford) and of the Archbishops' Council Finance Committee
- Andrew Holroyd OBE, Executive Chairman, Jackson Canter Solicitors, Lay Canon and member of Chapter of Liverpool Cathedral
- Carl Hughes, Member of the General Synod and the Archbishops' Council Finance Committee; led the Visitation of Peterborough Cathedral on behalf of the Bishop of Peterborough; vice chairman of the Southwark Diocesan Board of Finance
- Richard Oldfield, Chairman, Oldfield Partners, and chair of Canterbury Cathedral Council
- Baroness Maeve Sherlock OBE,
- Jennie Page CBE, Former Vice Chair of the Cathedral Fabrics Commission for England, Vice Chair, Church Buildings Council

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- Dr Fiona Spiers, former Regional Director for Yorkshire and Humber, Heritage Lottery Fund
- Rt Hon Jack Straw MP
- Rt Revd Tim Stevens, former Bishop of Leicester

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GLOSSARY OF ACRONYMS

AEC – The Association of English Cathedrals
CAFA – Cathedrals Administration and Finance Association
CEO – Chief Executive Officer
CFCE – Cathedrals Fabric Commission for England
CFO – Chief Financial Officer
CHECS – Church of England Central Services
COO – Chief Operating Officer
DSA – Diocesan Safeguarding Adviser
FAC – Fabric Advisory Committee
FARC – Finance, Audit and Risk Committee
FRS – Financial Reporting Standard
HLF – Heritage Lottery Fund
IICSA – Independent Inquiry into Child Sexual Abuse
MBA – Masters in Business Administration
MDR – Ministerial Development Review
NCI – National Church Institutions
NSSG – National Safeguarding Steering Group
NST - National Safeguarding Team
PCC – Parochial Church Council
TEI – Theological Education Institutions
SCIE – Social Care Institute for Excellence
SORP -Statements of Recommended Practice

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ANNEX D

Finance, Audit and Risk Committee (FARC)

Introduction and Background

1. As noted in the Governance section of this report, the Group recommends that the Chapter should appoint a Finance, Audit and Risk Committee which would be chaired by a non-executive Chapter member and would provide oversight of the activities of the cathedral and its management in the areas within its remit.
2. It would, however, be best practice to have an Audit and Risk Committee separate from the Finance Committee. This is recommended where sufficient resources of the necessary calibre and experience are available in a cathedral's locality. However, the Group appreciates that this could present practical challenges for some cathedrals. In such circumstances, the roles and terms of reference set out below would need to be divided appropriately between the committees.
3. The chair of each committee would report formally to Chapter and minutes of all committee meetings would be provided to Chapter.

Committee's role

4. The role of the Committee would be to act as the sub-committee of the Chapter providing review and oversight of all financial, audit and risk matters relating to the operation of the cathedral. This would include, but not be limited to, oversight of the following:
 - Ensuring that the minimum financial operating standards and controls (*qv*) are in place and operating effectively;
 - Ensuring the adequacy of the cathedral's finance function;
 - Ensuring that the cathedral is a going concern;
 - Ensuring that the cathedral is in compliance with all applicable laws and regulations;
 - Ensuring compliance with the cathedral's policies concerning conflicts of interest and related party transactions;
 - Reviewing, questioning and challenging the cathedral's annual budget, five-year financial plan, monthly management accounts and annual financial report and accounts;
 - Ensuring that the annual financial statements comply with the cathedral accounting regulations;
 - Ensuring that the cathedral's accounting and reserves policies are adequate and appropriate;
 - Directing the areas for focus and review through internal audits/peer reviews and the external auditors;
 - Overseeing the selection, appointment and performance appraisal of the external auditors;

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- Receiving a planning report from the external auditors in advance of their audit work and a final report and management letter from the external auditors at the conclusion of their annual audit, and taking such actions as are considered necessary as a consequence;
 - Reviewing and challenging the completeness of the cathedral's risk register and the processes in place to mitigate the risks identified, including, but not limited to, health, safety, safeguarding, finance, property, terrorism and security risks; and
 - Providing advice, direction and guidance on the cathedral's investment and property portfolios (where applicable) and overseeing the selection, appointment and performance appraisal of relevant professional advisers and fund managers.
5. Agendas and papers for each Committee meeting should be circulated at least five days prior to each meeting, copied to members of the Chapter if the Chapter so requests. Minutes of each Committee meeting should be agreed by the Committee chairman and circulated to Committee members and members of Chapter within ten working days of each meeting.

Committee's composition

6. It is anticipated that the FARC should comprise at least five, and not more than eight, members, with the cathedral COO and CFO being in attendance at all the Committee's meetings. The Committee's chairman should be a lay person who, by virtue of his/her chairmanship of the FARC, is a member of the Chapter. The Committee's members should include at least one representative of the cathedral's clergy.
7. The composition of the Committee should primarily be determined on the basis of the relevant skills and experience required of members to be able to exercise the review and oversight role described earlier. It is thus anticipated that the following skills and experience would be present amongst the Committee members:
- Financial management and reporting
 - Financial and management accounting
 - Systems of internal control
 - External and internal audit processes
 - Risk management frameworks and processes
 - Investment management (where applicable)
 - Property management (where applicable)

Committee's Terms of Reference

8. Proforma Terms of Reference for a cathedral's FARC are set out below.

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Finance, Audit and Risk Committee

Pro Forma Terms of Reference

1. Constitution

1.1 The Finance, Audit and Risk Committee (the “Committee”) is established as a sub-committee of the Chapter. The role and responsibilities of the Committee shall be as detailed in these terms of reference and shall not be amended except with the approval of the Chapter.

2. Role

2.1 The role of the Committee is as follows:

Finance

- to monitor and review the effectiveness of the cathedral’s finance function and its risk management and internal control systems, ensuring that the minimum financial operating standards and controls expected of cathedrals are in place and operating effectively;
- to review, question and challenge the cathedral’s annual budget, five-year financial plan, monthly management accounts and annual financial report and accounts, reviewing any significant financial reporting judgements;
- to ensure that the annual financial statements comply with the cathedral accounting regulations and that the cathedral’s accounting and reserves policies are adequate and appropriate;
- to monitor the cathedral’s financial position to ensure that it is a going concern;
- to ensure that the cathedral is in compliance with all applicable laws and regulations;

Audit

- to direct the areas for focus and review by quinquennial assurance reviews and the external auditors;
- to oversee the selection, appointment and performance appraisal of the external auditors, to review the external auditors’ independence and objectivity and the effectiveness of the audit process, taking into consideration relevant laws, regulations and ethical codes;
- to receive a planning report from the external auditors in advance of their audit work and a final report and management letter from the external auditors at the conclusion of their annual audit, and take such actions as are considered necessary as a consequence;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant laws, regulations and ethical guidance regarding the provision of non-audit services by the external audit firm;
- to monitor compliance with the cathedral’s policies concerning conflicts of interest and related party transactions;

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Risk

- to review and challenge the completeness of the cathedral's risk register and the processes in place to mitigate the risks identified;

Investment and property (where applicable)

- to provide advice, direction and guidance on the cathedral's investment and property portfolios (where applicable) and oversee the selection, appointment and performance appraisal of relevant professional advisers and fund managers.

3. Membership

- The Committee shall comprise not less than five members of whom the majority shall be independent, lay people.
- The members of the Committee shall be appointed by the Chapter, in consultation with the Chair of the Committee.
- At least one member of the Committee shall be a member of the cathedral's clergy.
- At least one member of the Committee shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to external and internal audit, systems of internal control, risk management frameworks and processes and, if applicable, investment and/or property management.
- The Chapter shall appoint the Committee Chair and may at any time remove him/her from that office. The Committee Chair shall be a lay person and a member of the Chapter. In the absence of the Committee Chair or an appointed deputy at a meeting of the Committee, the remaining members present shall appoint one of their number to chair the meeting.
- Appointments to the Committee shall be for a period of up to three years, which may be extendable for two further three-year periods.

4. Committee Secretary

4.1 The cathedral CFO or his/her nominee shall act as the Secretary of the Committee and will provide all necessary support to the Committee.

5. Quorum

5.1 The quorum necessary for the transaction of business shall be four members. Recommendations to the Chapter arising at each meeting of the Committee shall be decided by majority vote.

6. Attendance

6.1 Only members of the Committee have the right to attend Committee meetings (secretary?).

6.2 The cathedral's Chief Operating Officer and Chief Financial Officer will normally attend the meetings of the Committee, with the external auditors being in attendance at least twice each year.

7. Notice of Meetings

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7.1 Meetings of the Committee shall be convened by the Secretary of the Committee after discussion with the Committee Chair. Special meetings may be requested by any member of the Committee or the external auditors.

7.2 Unless otherwise agreed, notice of each meeting shall be forwarded to each Committee member and to other attendees (as appropriate) at least five days in advance of each scheduled meeting date, together with an agenda and supporting papers, to enable full and proper consideration.

8. Frequency of Meetings

8.1 The Committee shall meet not less than six times in each calendar year. The timing of all such meetings shall be at the discretion of the members of the Committee, but will coincide with key stages within the financial reporting and operational review and external audit cycles, in particular when financial and risk reports and are available for review, and when full year financial and external audit reports are available.

9. Minutes of meetings

9.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

9.2 Minutes of Committee Meetings shall be circulated to the Committee Chair for review and subsequently to all members of the Committee within ten working days of each meeting. Any Chapter member may, on request to the Secretary, obtain a copy of the papers prepared for the Committee.

10. Authority

10.1 The Committee is authorised by the Chapter:

- to seek any information it requires from any cathedral office holder, employee or volunteer;
- to employ the service of such advisers as it deems necessary or appropriate to fulfil its responsibilities; and
- to investigate any activity it deems necessary to carry out its duties.

10.2 It shall be the responsibility of the Committee Secretary to ensure that information required under 10.1 is made available in a timely manner.

11. Duties

11.1 The duties of the Committee shall be as follows:

Reporting Responsibilities

11.2 The Committee Chair shall report formally to the Chapter on its proceedings after each meeting on all matters within its duties and responsibilities, including:

- the results of reviews of the effectiveness of the systems for risk management and internal control (including operational controls);
- the significant issues that it considered in relation to the cathedral's annual budget, five-year financial plan, monthly management accounts and annual financial report and accounts, and how these issues were addressed;
- its assessment of the effectiveness of the external audit process, its recommendation on the appointment or reappointment of the external

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auditor, and the results of the external audit and how it contributed to the integrity of financial reporting including the role of the Committee in that process; and

- where applicable, its consideration of the cathedral's investment and property portfolios.

11.3 The Committee shall make whatever recommendations to the Chapter it deems appropriate on any area within its remit where action or improvement is needed.

Review of Committee's Effectiveness

11.4 The Committee shall annually review its terms of reference and its effectiveness and recommend any changes it considers necessary to the Chapter.

Internal Control and Risk Management

11.5 The Committee shall:

- on an ongoing basis, assess the scope and effectiveness of the risk management framework and the systems and processes established by cathedral management to identify, assess, manage and monitor operational risks (including health, safety, safeguarding, property, terrorism and security) and financial risks;
- review and assess plans for reviewing the effectiveness of the cathedral's systems of risk management and internal control taking into account the principal risks inherent and emerging in cathedral operations, as documented in the cathedral's risk register, and the system of internal control necessary to monitor such risks;
- direct the areas for focus and review through internal audits/peer reviews, consider the results of those reviews and the actions required for the continuous improvement of the internal control and risk management framework;
- review the remit and the expertise, objectivity and effectiveness of the work of those responsible for developing the above-mentioned plans and of those carrying out the reviews;
- review the adequacy of the cathedral's finance function and cathedral management's responsiveness to the findings and recommendations arising from the reviews;
- review the procedures for monitoring compliance with the cathedral's policies concerning conflicts of interest and related party transactions and for ensuring that the cathedral is in compliance with all relevant laws and regulations;
- review arrangements by which staff may, in confidence, raise concerns about possible improprieties relating to finance or other aspects of the cathedral's operations in order to ensure that arrangements are in place for the investigation of such matters and for appropriate follow-up action; and
- review and approve the statement to be included in the Annual Report and Accounts in relation to the Chapter's assessment of the cathedral's

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prospects and its ability to continue in operation and meet its liabilities as they fall due over the period of not less than one year from the date of the review.

Financial Planning and Reporting

11.6 The Committee shall:

- review, question and challenge the cathedral's annual budget, five-year financial plan and monthly management accounts.

Annual Report and Financial Statements

11.7 The Committee shall review with management and the external auditors the integrity of the annual financial statements before submission to the Chapter, focusing in particular on:

- the consistency of and the appropriateness of any changes to accounting and reserves policies;
- the accounting treatment and effect of significant or unusual transactions, and how they are disclosed;
- the appropriateness of assumptions and judgements in items subject to estimation;
- significant adjustments resulting from the audit and any unadjusted items identified during the audit together with management's explanations as to why they have not been adjusted;
- the appropriateness of adopting the going concern assumption, identifying any material uncertainties to the cathedral's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- compliance with financial reporting standards and the cathedral accounting regulations; and
- the clarity and completeness of disclosures.

External Audit

11.8 The Committee shall:

Appointment, reappointment and resignation

- be responsible for the procedure for the selection of the external auditor and make recommendations to the Chapter in relation to the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of appointment of the external auditors;
- ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms and, in respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process, always ensuring that the audit firms considered have a depth of

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experience of charity law and accounting practice, of auditing larger charities and, ideally, of auditing other cathedrals and Church bodies; and

- if any auditor resigns, investigate the issues leading to this and decide whether any action is required.

Terms of engagement

- oversee the relationship with the external auditors, including (but not limited to):
 - the negotiation and approval of their terms of engagement, including the scope of the audit and the level of remuneration in respect of audit services provided; and
 - the review and approval of the engagement letter issued at the start of each audit, ensuring that it has been updated to reflect changes in circumstances arising since the previous year.

Independence and expertise

- review and monitor the external auditors' expertise, resources, independence and objectivity taking into consideration relevant law, professional and regulatory requirements;
- seek annually from the external auditors information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those regarding the rotation of audit partners and staff.

Non-audit services

- review and monitor the appropriateness of the provision of non-audit services to the cathedral by the auditor, taking into account ethical guidance and legal requirements, ensuring that the provision of such services does not impair the external auditors' independence and objectivity; and
- develop and implement a policy on (i) the engagement of the auditors to supply non-audit services; and (ii) the employment of former employees of the external auditors, taking into account any relevant law, ethical guidance and regulatory requirements on this matter.

Audit cycle

- review the annual audit plan and ensure that it is consistent with the scope of the audit engagement letter;
- review the findings, conclusions and recommendations of the external auditors (including any recommendations for improvements in internal financial controls and/or reporting processes). This shall include, but not be limited to, the following:
 - a discussion of any major issues which arose during the audit;
 - any accounting and audit judgments;
 - levels of errors identified during the audit;
 - review of the management letter and management's response to the external auditors' findings and recommendations; and

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- any other matters the external auditors may wish to discuss (in the absence of management where necessary).
- review any representation letter requested by the external auditor before it is signed by management, giving particular attention to non-standard issues;
- review the effectiveness of the audit process; and
- meet the external auditors at least once a year without management being present, to discuss their remit and any issues arising from the audit.

Investment and Property

11.9 The Committee shall:

- provide advice, direction and guidance on the cathedral's investment and property portfolios (where applicable) and oversee the selection, appointment and performance appraisal of relevant professional advisers and fund managers.

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ANNEX F

Minimum financial operating standards and controls

- Financial planning and reporting
- Appointment of external auditors
- Purchase order, invoice and payment authorisations, delegations of authority and management review;
- Effective segregation of duties between authorisation and payment, between the cathedral and any related trusts, between bank accounts and accounting;
- Specification, implementation and documentation of accounting procedures and policies, covering endowment and restricted funds, as well as designated and other unrestricted funds, and target levels for unrestricted financial reserves;
- Expenditure controls so that no expenditure above a certain threshold (say £1,000) is permitted by Chapter members or cathedral staff without prior authorisation according to the delegations of authority;
- Conflicts of interest and related party policies, including with respect to all members of Chapter and all cathedral personnel; and
- Reporting non-charitable trading and any associated sales or corporate taxes.

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ANNEX G

Support services which could be relevant for provision to cathedrals by the national Church

- HR management;
- Safeguarding;
- Payroll;
- Property management;
- Risk management frameworks;
- IT (including pre-procurement advice);
- Procurement services, including pre-screening of suppliers (including external auditors);
- Framework and support for planning, executing and funding major capital works;
- Mentoring;
- Accounting advice (including model management accounts);
- General management consultancy (including on how to diversify income streams);
- Compliance with laws and regulations (including production of checklists);
- Health and safety; and
- Security.

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ANNEX H

Detailed recommendations to be reflected in the CAFA guidance concerning the selection and appointment of a cathedral's external auditor

- The external audit firm should be selected by the Chapter, on the advice of its Finance, Audit and Risk Committee, from a list of national and regional audit firms which have been pre-screened by a national Church body to ensure that the firm has a depth of experience of charity law and accounting practice, auditing larger charities and, ideally, of auditing other cathedrals and Church bodies;
- The assigned audit partner should be able to demonstrate experience of auditing larger charities and, ideally, other cathedrals and church bodies;
- The external auditors' report should explicitly confirm that the cathedral's financial statements have been prepared in accordance with, and comply with, the English Anglican Cathedral Accounting Guidelines;
- External auditors should be expected to report to the Finance, Audit and Risk Committee at the conclusion of each annual audit and to issue a 'management letter' which should cover, inter alia, the auditor's observations on any management, control or reporting weaknesses relating to the key financial processes and controls, and any issues relating to the cathedral's ability to continue as a going concern. The Finance, Audit and Risk Committee should report annually to Chapter on the main findings and management responses before the report and accounts are signed off; and
- Invitations to tender for cathedral audits should, as a minimum, provide the tendering firms with details of the bid process, an organisational structure diagram, the scope of the audit, and the annual report and financial statements for prior years. They should invite tendering firms to engage in discussions on the cathedral's audit needs and requirements prior to submitting their proposals to help assess the level and depth of engagement with the cathedral's operations, reduce the assumptions made by the bidders, and improve the quality of bids received.

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ANNEX I

Grants paid to cathedrals by the Church Commissioners under Sections 21 and 23 of the Cathedrals Measure 1999

Section 21 grants

All cathedrals receive a section 21 grant to cover the stipend and associated costs of the dean and two residentiary canons.

Cathedrals can apply to use any underspend against the allocated level for sections 23 purposes. There is no other flexibility for these grants and an absolute requirement under current legislation that cathedrals maintain the establishment of a full-time dean and two full-time residentiary canons. The Working Group was made aware of two recent examples where cathedrals wanted to vary these arrangements but were unable to do so. In one case a cathedral wished to have a mix of a full time and part time appointments whilst retaining a complement of at least two full time residentiary canons; in the other, a cathedral wished to reduce to one full time residentiary canon and use the savings for lay staff posts.

Section 23 grants

The current system for distributing section 23 grants was introduced in 2006. In 2017 the section 23 distribution was £3.6m. A key factor for determining the section 23 grants for cathedrals is their net unrestricted income available for mission as per their published accounts ('net' means after costs directly related to income such as costs relating to catering and retail offers and investment management costs). An average over a number of years (in 2017 this was 9 years) of this figure is taken to smooth out the effect of one-off factors such as significant legacies.

The principle of the section 23 grant formula is to give higher grants to those cathedrals with the lowest average net income:

- There are three 'bands' into which cathedrals are classified according to their level of income. Cathedrals with average net unrestricted income exceeding the band 3 rate receive no section 23 grants. This has meant that in 2017 seven cathedrals – Canterbury, Durham, Lincoln, St Paul, Salisbury, Winchester and York have received no section 23 grant.
- The income level of the three bands was set when the formula was first created and is changed each time the formula is updated in line with the percentage change in the overall sum available for the grants i.e. if the sum increases by 2%, the income level of each band also increases by that rate.
- Each band also has its own 'percentage rate' to be applied to the income figures. These were also fixed when the formula was created but the band three rate varies depending on cathedrals' overall average net income and the overall sum available for section 23 grants to ensure the money is fully utilised.