

GOVERNANCE REVIEW GROUP



THE CHURCH
OF ENGLAND

GOVERNANCE REVIEW GROUP REPORT

EXECUTIVE SUMMARY

- The opening section of this report explains the background to the establishment of the Governance Review Group and how its work fits into the Emerging Church initiative which was set up to review the Church's future mission following the COVID-19 pandemic.
- The report then explains the ecclesiological and theological thinking which underpinned the work of the Governance Review Group. It then outlines the approach of the Review Group, some of the evidence it considered and some key themes which emerged during the course of its work. The report summarises the current governance arrangements of the Church of England (the 'status quo'). It then goes on to argue the case for national governance reform, paying particular attention to questions of clarity and simplification of decision-making and accountability, episcopal leadership, the synodical system and the management of the historic endowment, all viewed through the lens of governance principles drawn together from different sources and assembled by the Review Group in a way which in its view is coherent in a Church context.
- The main section of the report recommends that most of the existing national governance bodies of the Church of England and their underlying functions should be brought into a single charitable body established by legislation and called Church of England National Services (CENS). The governance for CENS would be carried out by a Board of Trustees. The report then goes on to make some suggestions regarding the composition of the CENS Board and the number and nature of its sub-committees.
- The report recommends that some governance bodies should continue to exist independently of the CENS Board and organisation, namely those functions of the Church Commissioners associated with the oversight of the Church's historic assets, the Church of England Pensions Board, the National Society, some statutory functions and the Independent Safeguarding Board. The report then goes on to offer some suggestions for a new nominations process for the CENS Board and sub-committees, before offering some concluding remarks.

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LIST OF RECOMMENDATIONS

1. Most of the national functions of the Church of England should be carried out within the framework of a single national body called **Church of England National Services (CENS)**, with a board of trustees, established for charitable purposes under the Charities Act.
2. The House of Bishops should focus on the decisions and the activities which are required of it as one of the Houses of General Synod but the role of College of Bishops in the national life of the Church should be enhanced.
3. The College of Bishops should elect 12 of its members to form a **Board of Bishops** to work with the national governance bodies on matters of governance and policy and to elect those to serve on the national governing body.
4. There should be a review of the role of **Lead Bishop** and, if it is to continue, a role description should be developed.
5. The Church of England should initiate a new piece of work to explore the reform of the General Synod and Synodical government more widely.
6. The options for the composition of the CENS Board – including any transitional arrangements - should be considered and developed further at the next stage of the Church's governance review work.
7. The Church of England National Services Board should be supported by the **minimum necessary number of sub-committees** to ensure its operation, including Risk, Audit, Nominations and Finance and the minimum possible number of others and only to the extent essential.
8. Consideration should be given to a piece of enabling legislation to facilitate other boards and sub-committees to be dissolved.
9. Any remaining committees must have clarity regarding their purpose, level of authority, reporting lines and methods. They should not over-step the powers and remit delegated to them by the governing body to which they are accountable.
10. Decisions relating to the management, stewardship and oversight of the Church's historic endowment and the amounts of money that can be distributed should remain the legal responsibility of the Church Commissioners.
11. Most other activities which currently fall under the governance of the Church Commissioners should move over to the new governance body (with some exceptions: see below).
12. The **Pensions Board** should continue to remain a separate independent body under the jurisdiction of the Pensions Regulator.
13. The arrangements for the **Church Commissioners' co-regulation of cathedrals** together with the Charity Commission should continue.
14. The **National Society** should continue to exist as separate governance body given its legal links with the Church in Wales pending further review.

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15. In line with the recommendations of the IICSA report, the oversight of the national Church's **Safeguarding** activities should be carried out by a separate independent body.
16. The Church should establish a **Nominations Committee** to sit as one of the sub-committees of the new CENS governing Board
17. The Nominations Committee should establish a community of diverse, appropriately skilled and appropriately knowledgeable people from which panels would be convened to oversee appointments and ensure eligibility for election.

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Report from the Governance Review Group
July 2021

INTRODUCTION FROM THE CHAIR

1. The Archbishops, with the approval of the House of Bishops, established the Governance Review Group (GRG) in December 2019. Its Terms of Reference are:

To review the effectiveness of the governance structures, processes and activities for and across the national functions of the Church of England, and to make recommendations to the Archbishops for possible changes to improve the functioning and effectiveness of those structures and relationships.

2. We need to underline at the outset the fact that the Governance Review Group will not itself be introducing new governance arrangements. We have seen our role as facilitating the Church of England's discernment of a new governance framework. This report is not about the operation of the Church itself but it is about the governance of its support structures.
3. While the Terms of Reference given to the Review Group do not explicitly mention diversity, we believe it is a fundamental part of our work. We note that the Church has over the years produced numerous reports on issues of diversity and inclusion, but the national governance bodies are still a long way away from reflecting the wider Church, or society as a whole, in terms of their membership. Inclusiveness is inseparable from good governance.
4. Our governing bodies simply must become more diverse and, while they can attempt to improve their diversity statistics by taking appropriate actions ad hoc, what is really needed is an explicit ambition, reflected in everything they do. In turn this ambition should be reflected in the design of the structure. Rather than putting in place a governance structure and then attempting to populate it with diverse people, can the Church put in place a structure which is itself a 'sign-post' to greater inclusion?
5. The membership of the Review Group is listed at the end of this document. The Group pulls together a range of diverse experiences and backgrounds. Some members are very familiar with the workings of the National Church Institutions and others have come to this work with deep knowledge of other organisational structures but with less of the national Church and its internal politics. I am extremely thankful to my fellow Review Group members who, owing to the Covid-19 pandemic, were unable to meet in person. This is a significant hindrance to an exercise such as this, but their fortitude and insight carried us through.
6. In April 2021 we produced an initial report for consultation purposes. This document deliberately held back from making firm recommendations about new governance structures. Instead, we shared with a range of stakeholders and focus groups - in a spirit of collaboration and trust - the nature of our deliberations, the themes which emerged in the course of our work, and the pros and cons of four concept models.

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7. The full list of the groups consulted is listed in the Annexe. We are profoundly grateful for the time, energy, courage and wisdom of all the consultees to date. As well as the specific insights they have all offered, we have overall been moved by the enthusiasm of their engagement, the prevailing sense of excitement that this work is being done and the fact that the conversation itself has brought some measure of increased clarity. In presenting to the focus groups, we made it clear that the original 'concept models' were to aid discussions, and were not in any sense options or recommendations for the future. They served the purpose of generating discussion and comment and helping us to refine our thinking.
8. From the start of its journey, the Review Group has been of the opinion that there needs to be **significant simplification** of the Church's existing governance framework. Our discussions with various stakeholders since then have continually underlined the point. The need for the simplification of the Church of England's national governance structures has been the single most discussed aspect of our work. Simplicity in the system will help remove duplication, help to identify and fill gaps, clarify where authority and responsibility lies, and aid the execution of tasks.
9. Achieving this simplicity is not going to be simple. One consultee described this exercise as trying to dismantle and reassemble an aircraft in-flight. It was also noted that simplicity is not necessarily easy to define – a larger number of more focussed and aligned bodies may, overall, be simpler than fewer, more complex and misaligned ones. Nor is simplicity itself the end goal. As one consultee reminded us, an amoeba is simpler than an antelope, but it cannot do as much.
10. The Church needs effectiveness rather than mere 'tidiness', and effectiveness is the achievement of priority outcomes in the best possible way and getting the best out of available resources. The real goals are the clarity, accountability and agility that will contribute to the efficiency of the Church, freeing up parishes and dioceses to serve. And when talking about parishes, of course we mean priests and lay people ministering to the people of God in their particular setting. The aim must be for the national structure to support them by giving support and resources of various kinds, as opposed to overwhelming and demoralising them by giving them things to do.
11. Any changes to the Church of England's national governance structures must respect the proper role of the Crown and Parliament in the Church's processes. Any change should recognise that there is not an easy, off-the-shelf solution available given the Church of England's unique ecclesiology and established status. Any organisational change must enable cultural change as well as reforming the formal governance structures. We need also to be imaginative about *how* to effect change given this complicated starting position.
12. A partly representative, partly skills-driven model of governance makes for over-large governing bodies which is not always conducive to effective decision-making. These bodies are unwieldy and meet too infrequently, making it difficult to keep up with events or sustain progress, and with too little connectivity between them. Moreover, while representation helps ensure that decisions are not partial or seen to be partial, it can also undermine the legal duty of trustees to put the charity's interests ahead of any 'constituency' considerations.
13. And, while this is not to say that persons elected for representative reasons are not themselves very competent, elections alone do not provide the same

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guarantee of expertise that effective appointments processes should. There clearly needs to be a proper balance between professional expertise and representation, which is hard to strike without adding more and more members to a given body. We believe – and have been confirmed in this view during our discussions with various stakeholders – that ensuring the right skills are in place is fundamental to good governance and as part of that encouraging appropriate behaviours and trust.

14. The Review Group believes that none of this will be achieved without simplifying the national governance structures of the Church. As it was put to us in a number of our focus groups, **comprehensibility** must be an important principle. The average person in the pew may not be interested in the historic and other reasons for the complexity of the Church's governance structures, but they have a right to know, or to be able to find out easily, which bodies of people are in charge of which areas of the life of the Church. More than this, consultees have told us that they and others currently feel powerless to influence the things that matter to them. Again, the churchgoer deserves better. They may not get to serve, nor even wish to serve, on a governing body but they should feel able to know what it does, how well it is doing, who its members are, and why/ how they are its members.
15. The Church's work is carried out by committed, talented and energetic people but their gifts and their efforts are not optimally deployed if they are required to work with or around unwieldy apparatus. It is very important that in focussing on efficient delivery and the achievement of specific goals we do not forget the people. Wellbeing should be one of the critical goals and thus it is important to consider how a national governance structure improves the wellbeing of the individuals operating within it. The Church also needs to be clearer about what it needs a national organisation to achieve and then set up systems which clarify who is accountable for the delivery of these achievements.
16. The Church needs a governance structure that helps it to be lighter, more agile and more purposeful in fulfilling its ministry to society in the future; one in which the executive functions facilitate rather than burden the local church. The Governance Review Group's ambition has been to help the Church make its national governance framework more rational and more accountable and also more humane. In this spirit, we offer our proposals for consideration.
17. It is inevitable that some readers of this report will feel that some things are lacking in coverage or perhaps that others are over emphasised. We invite all who read the report to see that what we have set out to do is not to cover every aspect of what will be required in implementing the changes we think are necessary but, rather, to provide the basis upon which we can move to a consideration of the "nuts and bolts" of change and the legislation required. We invite reading with a generosity of spirit and a willingness to pursue the better governance of the Church for the benefit of all its serves.

Rt Revd Nick Baines, Bishop of Leeds
Chair of the Governance Review Group

July 2021

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ECCLESIOLOGY, THEOLOGY AND GOVERNANCE

18. The Church's unique history, ecclesiology, structure and anomalous leadership function and competencies mean that a governance structure that works well elsewhere cannot simply be imported. The Church requires theological and spiritual as well as professional leadership. This means that the clear demarcation of the executive and non-executive functions, which is widely-held to be best practice, is not possible given the role of clergy in the Church's governance (priests are Chairs and Chief Executives of PCCs; deans are Chairs and Chief Executives of Chapter; bishops perform executive and governance roles in their dioceses and nationally).
19. Throughout our work we have been constantly aware of the need to steer a path between the Church of England's complex ecclesiology, its unique history and relationship with the State as the established Church, wider theological reflection and the expectations and requirements which are made of any public institution operating in the 21st century, including the need to comply with charitable law and best practice. Balancing these tensions is not easy – and probably impossible – and we do not claim to have got the balance right at all times, although we hope we have acknowledged these various factors at all times in our thinking.
20. Theology is too often used in Church of England politics and policy-making as a means of validating proposals that a particular group likes, or as something under which to bury proposals that a group or faction dislikes. We are anxious to avoid either of these things, but it is crucial to consider from a theological perspective what the Church of England is, in order to understand how its governance should work. And that theology, although presented here as if it were an 'opening chapter', is actually threaded right through the Review Group's work and this report. We are very grateful to the Revd Dr Malcolm Brown, the Revd Dr Isabelle Hamley, Professor David Ford and members of the Ecclesiology and Governance Working Group for their contributions to our thinking – although any errors and infelicities are entirely our own.
21. The Church is not first and foremost the Church of England, but the Church of Jesus Christ on earth. As such, it is gathered around the risen Christ, and animated by his Spirit. Christians are part of the Church by virtue of their baptised relationship with Christ, rather than by choice or design of their own, and by responding to his invitation, which always takes priority.
22. The Church of England is part of the global Church and takes a specific shape in the history and culture of the United Kingdom and the Anglican Communion, which gives it the character of a public institution. A theological vision of the Church always needs to be kept in tension with its practical reality - made up of human beings who do not necessarily accept the vocation to live together as the people of God, who at least struggle with it and find themselves falling short of the vision expressed in the Scriptures to be the Body of Christ, within which we are interdependent and always in need of one another. The reality of the Church of England at the beginning of the 21st century, is that it reflects both unity and disunity, a common vocation to mission, and deep disagreements. As an

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institution therefore, it needs to hold together different, sometimes conflicting, purposes.

23. The Church is not a company or a corporation, yet previous attempts to change the Church of England's governance structures could be said to have assumed – as does contemporary secular culture – that the only model is that of a secular business or non-profit organisation. Rather, the Church is an institution in which different, sometimes conflicting, purposes must be held together.
24. Organisations and Institutions are not the same thing. The former is a structure designed to deliver a known goal; the latter is a complex organism intended to hold together the interplay of different but related interests. The second description fits the Church of England: a complex collection of divergent and overlapping interests and activities.
25. We cannot use contemporary management criteria such as effectiveness or efficiency very easily for the mission of the Church of England. But that should not give us licence, as a Church, to be ineffective or inefficient in that mission. Any reflection of what the Church of England does needs to be framed within a wider Christian imagination based on gift, grace and divine generosity. This does not however, mean that we can say nothing about the way we in the Church of England work and how we can work well.
26. We are unapologetic in saying that this report concentrates on the 'nuts and bolts' of our national governance structures – that was our remit. It will therefore use some of the language that will be common in more secular contexts. We do however accept that this language and the learnings drawn from other contexts need to be tempered and challenged by the wider vision that our Scriptures and traditions have given us.
27. As a human system, the Church is affected by human frailty and sin, and inevitably, the shape of its life and structures have been affected by struggles of power and lack of trust between groups and individuals. For historical and ecclesiological reasons the Church of England is a complex and highly fragmented organisation. Everyone involved in the governance of the Church at all levels will encounter frustration with rules or apparatus that block progress. Many of these obstacles actually amount to an historic accrual of safeguards against one temporarily powerful partner dominating or eliminating another interest group.
28. Theologically, the Church is both the perfect bride of Christ, yet also always in need of reformation as it is made of fallen human beings; in addition, the Church is called to "proclaim the Gospel afresh in each generation"¹, which inevitably means that it needs to change and adapt in response to new contexts and demands, while remaining deeply rooted in the Christian tradition.
29. The great achievement of any governance reform will be to enable the Church to adapt to new circumstances without (inadvertently or otherwise) concentrating power in such a way that the complex theological and ecclesiological ecology is threatened. As a Church, we all agree that the Church is the Body of Christ. This

¹ Preface to the Declaration of Assent

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lays on members the obligation to love one another and enable the whole body to flourish.

30. As such, the Church is more than a coalition of different interest groups and always seeks maximum, rather than minimum, unity. Theologically, the Church is One already, and our vocation is to uncover and embody it in our life together. It is God who builds the Church, and our task is to follow the lead of the Spirit and remain humble about our capacity to be church without God's grace and Spirit.
31. An ecology is never a fixed thing. It changes, partly as natural adaptation to external circumstances and partly in response to change within one or more of its parts. But it is hard to predict how change to one element of the ecosystem impacts on all the others. We now know enough about natural ecologies (human and non-human) to know that they may appear a great deal more robust than they actually are (Covid-19 has surely taught us that). The Church as the body of Christ is an interdependent system that can be easily skewed or unbalanced by disruption from any one part of the body, however small.
32. An ecology is usually more adaptive than a monoculture. That may be one secret of the Church of England's endurance as an institution. But that adaptivity is easily compromised if the complex connections between the different elements are ignored. One example is the use of artificial fertilizers and pesticides in agriculture, where successfully addressing one problem created more intractable problems further down the system. It follows that deliberately seeking to promote ecological adaptation is a delicate task. That is, emphatically, not to argue that change is too difficult to contemplate. But the real danger is in working with an oversimplified view of the ecology itself and its context, especially imagining that concentrations of power are always better than complex and complementary power relations.
33. Theology and ecclesiology matter if the Church of England is to be faithful to its vocation. Our tradition is rich in different themes and insights, and always needs to be in dialogue with the insight of Christians from other traditions and cultures. As such, we cannot use one metaphor, or one theological strand, but must attend to the complexity and richness of what our traditions and history have to offer, and recognise the relationships between them within the Church's ecosystem.

Church and State

34. Any future governance structure must ensure the maintenance of the relationship between Church and State in which the General Synod plays a key role. The Archbishops of Canterbury and York, the Bishops of London, Durham and Winchester and twenty-one other diocesan bishops (a mixture of those who are the longest-serving and those who qualify under the Lords Spiritual (Women) Act 2015) sit in the House of Lords and are collectively known as the Lords Spiritual. Within the Church, they also resemble an informal sub-group of the House of Bishops with a specific focus on public affairs and with significant influence over the development of public-facing policy.
35. The Crown-appointed Second Church Estates Commissioner, originally accountable to Parliament for the Church Commissioners' handling of the State endowment, has in recent years come to be regarded as answerable to the House of Commons on any topic relating to the Church of England. He and the bishops

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in the House of Lords play important advocacy roles for the Church in contact with the Government.

36. The Review Group has noted that the Church of England's established status carries significant benefits such as the "Ecclesiastical Exemption" from aspects of the Planning Acts, e.g. listed building consent and conservation area consent, the ecclesiastical judiciary as well as co-regulating cathedrals with the Charity Commission. It also carries significant responsibility/ accountability including to the Privy Council. In devising any new governance structure these important features need to be recognised and upheld (or, if they are to be interfered with, this should only take place with due care and intentionality). The State will also need to be as confident as before in the Church's continued ability not only to enjoy the benefits but also to discharge the responsibilities of its established status as effectively as possible for the sake of the country it serves.

THE APPROACH OF THE REVIEW GROUP

37. Due to the Coronavirus pandemic, the GRG was unable to meet until August 2020. Since that time it has met 16 times. At our first meeting we reviewed a number of previous governance reports including the report of the Turnbull Commission in the 1990s (described in the next section of this report). We also considered a wide range of literature covering the Church of England's history, ecclesiology and relations to the State as the established Church. We gave preliminary consideration to the Church's decision-making processes, the role and functions of the House of Bishops, the operation of Synodical government and the role of the laity in national Church governance.
38. We reviewed the Church's current national governance structures, its various internal power bases and decision-making processes and some major issues and initiatives which have gone through the structures in recent years. We also commissioned a theological consideration of aspects of Church governance from the Director of Mission and Public Affairs, the Revd Dr Malcolm Brown, which was also shared with the House of Bishops and is drawn upon in the opening section of this report.
39. A discipleship approach to governance will ask what changes look like to those who disagree with them, and then seek ways not to overcome criticisms but to embrace them and improve. All parties within the ecosystem possess strengths and the whole is stronger when these strengths are combined and when status is shared and equal. A review of governance should therefore be conducted less out of frustration with the flaws in the status quo and more in a sense of love of the greater service we will give when working better together with our brothers and sisters in Christ.
40. We have in all our work been mindful of the seven principles of good governance set out by the Charity Commission. They are:
- i) *Organisational purpose*, i.e. governing boards should be clear about their aims and ensure these are effectively and sustainably delivered;
 - ii) *Leadership*, i.e. the charity is headed by an effective governing board providing strategic leadership in line with its aims and values;
 - iii) *Integrity*, i.e. governing boards adopt appropriate values and create a supportive culture which helps achieve the charity's purposes, mindful

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of the importance of public confidence and reflecting ethics and values in everything they do.

- iv) *Decision making risk and control*, i.e. governing boards ensure their decision-making processes are informed, rigorous and timely, with effective delegation, control and risk-assessment systems in place.
- v) *Board effectiveness*, i.e. a governing board is an effective team, appropriately balanced to make informed decisions.
- vi) *Equality, diversity and inclusion*, i.e. governing boards should have an effective approach to supporting equality, diversity and inclusion throughout the organisation and in their own practice.
- vii) *Openness and accountability*, i.e. governing boards should lead their organisations transparently and accountably, being open unless there is good reason not to be.

41. These seven principles should not be seen as a definitive overarching template for the good governance of the Church of England. They are nonetheless a useful reference point to measure against and, since any Church governance body or collection of Church bodies within a governance structure would include trustee bodies regulated by the Charity Commission, they must be at least capable of meeting the tests suggested by these principles.

42. The Review Group also considered the Campbell & Goold 'Organisation Design' Tests as described in the *Harvard Business Review*. The principles underpinning these tests are as follows:

- i) *Focus on the true purpose* – in this case serving the Church. Allocating sufficient attention to the Church's activities (Campbell & Goold's 'Market Advantage test').
- ii) *Appropriate levels of subsidiarity* – adding value to the cure of souls at local level by recognising and delivering those activities best done nationally to maximise strategic or economic value (the 'Parenting Advantage test').
- iii) *Getting the best of the people within the structure* – in the Church's case, optimising efficiency in an organisation which often relies on personal commitment and the cultivation and development of skills where it lacks the resource to hire the best possible personnel ('the People test').
- iv) Deliverability (the 'Feasibility test').
- v) *The protection of genuine specialism*, e.g. liturgy or investment management (the 'Specialist Culture test').
- vi) *Co-ordination* – the ability to make difficult links within/ across a structure servicing such a broad range of activity and interest (the 'Difficult Links test').
- vii) *Knowledge/skills as the basis for levels and responsibilities in the hierarchy* – avoiding duplication of effort which is in the current structure a by-product of coalition and complexity of interests (the 'Redundant Hierarchy test').

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- viii) *Appropriate levels of accountability* – in an institution where people ‘wear several hats’, ensuring proper accountability is exercised but with suitable delegation of authority (the ‘Accountability test’).
- ix) *Flexibility/ adaptability* - designing a structure that might be reversible should the situation change (the ‘Flexibility test’).
- x) (Campbell & Goold also includes a ‘Wildcard test’ designed to pick up anything missed by the others.)

43. Like the Charity Commission’s Seven Principles, the Campbell & Goold tests are not offered here as the answer. First, they are based on traditional business models rather than the complex adaptive system that is the Church of England. They do however suggest a set of principles which - alongside others - can help in the assessment of alternative models of national Church governance which can support both traditional parish structures and newer forms of ‘mixed ecology’ Church.

Inputs Received and Considered

44. The GRG has consulted and received submissions from external governance experts from industry and consultancy, senior Church House staff and the Officers of General Synod. The Group’s Chair has given regular progress updates to the House of Bishops and the Co-ordinating Group for the Emerging Church workstreams, of which the GRG is one².

External Examples

45. At subsequent meetings we also reviewed some of the contemporary best practice in corporate and charity governance and considered how the insights from these examples could be applied to the Church of England’s governance structures. At each of our meetings we considered organisational design models drawn from the public, private and non-profit sectors and considered how they might work in a Church context.

46. For example, we considered the restructuring of the NHS, which challenged us not to think that removing opacity at national governance level is in itself the end goal. Patients are not especially interested in the internal management of the NHS as long as they and the people they care about can get an appointment and be made better. Similarly, in our focus groups some people suggested that at parish level there is little interest in how the Church is run nationally. Others indicated that the Church nationally needs to communicate much better to the parishes and to be more transparent about how national decisions are taken which affect them.

47. We noted that the NHS restructuring had identified that the things which needed to happen at national level were getting funding, developing the workforce and gathering the information that ensures the system works well. But the Church is not quite so clear about what it requires at national level and nor are there clear ‘levels’ within the Church structure. This creates confusion, even within senior governing bodies, about one’s own, and others’, purpose, authority and goals.

² The others are: Vision & Strategy, Transforming Effectiveness and the Recovery Group.

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48. We received a presentation on the design and implementation of a revised governance structure at one of the leading international accountancy firms. We noted some points of equivalence between Big Four accounting firms and the Church of England in terms of their governance structures, where parishes are like member firms, dioceses are the regions and the national Church is the global practice.
49. Partners in accountancy firms – like priests and bishops in the Church of England – combine both executive and governance functions in their roles, meaning that the usual separation of such functions which is common in governance best practice cannot apply. This firm therefore revisited its core obligations and asked where the structure impeded these. From there, they designed a structure which allocated clear responsibilities to different groups and ensured that they were accountable for delivery of these responsibilities.

Internal Case Studies

50. We have considered a number of case studies (both positive and negative) of how the Church's governance bodies have operated and reacted to situations in recent years. These were as follows:
- **Safeguarding:** The Church's handling of safeguarding in recent years, and in particular some of the conclusions and recommendations arising from the October 2020 final report on "The Anglican Church" of the Independent Inquiry into Child Sexual Abuse (IICSA).³ The Church's response to this report has been published elsewhere⁴, but suffice to say we regard the Church's failings on Safeguarding as the most tragic example of the human cost of governance failure that could be imagined.
 - The operation between 2019 – 2020 of the inter-institutional **Triennium Funding Working Group** of the National Church Institutions⁵. The carefully selected membership of the group helped to achieve stakeholder balance, shared purpose, timeliness and accountability. Similarly, co-designed and adaptive ways of working and strong chairmanship ensured highly efficient working and good outcomes.
 - The December 2019 report of the "**lessons-learned**" exercise following the **Church Buildings Review** revealed a lack of mechanisms for following through a Synod 'decision', the existence of separate policy agendas of different organisations with buildings functions and fragmented delivery.
 - The 2021 report of the Archbishops' Anti-Racism Taskforce report *From Lament to Action*. This highlights the myriad of recommendations made over a number of years in relation to issues of racism, diversity and inclusion, many of which have never been implemented. This slowness and inaction may not be entirely

³ See <https://www.iicsa.org.uk/document/anglican-church-safeguarding-church-england-and-church-wales-investigation-report> for full IICSA report.

⁴ See [Statement on publication of IICSA report | The Church of England](#) for the Church of England's response to the IICSA report.

⁵ This Group brings together members of the Archbishops' Council, Church Commissioners and House of Bishops to help weigh the priorities and needs of different parts of the Church and assist the Council and Commissioners in their decisions about the allocation of national funds.

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attributable to governance failures, but in our view the opacity, complexity and fragmentation of the Church's governance structures may have been a contributing factor.

51. We have been conscious that questions about good governance models are inseparable from questions about the functions and activities that the governance bodies are asked to perform. In offering our recommendations, we seek to help design a structure that best enables the Church's national functions to operate efficiently, but the prior question is about which functions the Church requires to be delivered at national level. We are aware of the considerable overlap of the GRG's work with that of the Vision and Strategy and Transforming Effectiveness workstreams of the Emerging Church initiative and we have done our best to work in tandem with these. We hope that greater join-up between these workstreams will be feasible at the implementation stage.

Key Themes

52. In developing our thinking, we have kept returning to the following themes:

Vision

53. A central ingredient in governance is *vision*. The whole Body of Christ is responsible for the discernment of the vision of the Church. Any governance structures must be accountable to, enabled by and able to serve the discernment of the whole people of God.

Transparency

54. We have tried to recommend governance structures which offer suitable levels of accountability and have a clear connection to the rest of the Church's governance structures at diocesan and parish level.

Mutuality

55. The concept of mutuality has an important place in Anglican theology and Anglican social thought. It serves as a translation into political language of a constellation of deep theological convictions: e.g., that the whole Body of Christ is animated by the Spirit, who is at work in all its members, and that steps up of the Church's decision-making hierarchy are not in any sense steps deeper into the Spirit's presence. In the relation between the 'centre' and the periphery, neither should be seen as secondary. They should both exist in tension and with a sense of mutual accountability. As such our subsequent references to 'subsidiarity', a well-used Anglican concept and term, might also be referred to as 'mutuality'.
56. The 'centre' is there to serve the mutual accountability and support of the different parts of the Body, amongst whom the Spirit moves. Central to this question is how bishops should carry out their roles at diocesan and national level.

Inclusion, Participation and Diversity

57. When moving towards proposals for a leaner and more agile decision-making structure, we have tried to answer the question about how the Church can guard against a loss of participation and diversity in its decision-making processes.
58. We want the Church of England to be diverse not because society tells us to, but because it is in the nature of the Church to reach out to all, and to enable the ministry of all. It is a moral imperative which also happens to make good business

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sense and accord with what wider society expects of us. The Church is not defined by specific characteristics, but by baptism in the body of Christ, which includes all, regardless of any personal characteristics (ethnicity, socio-economics, gender, age and so on). The question is how we reflect this vision within the governance bodies and life of the Church.

59. When we fail to enable all to flourish, we, our thinking and our decision-making are as a result one-dimensional. Diversity is linked to questions of power, and the Church is called radically to redefine its relationship to power. This means that where some groups are marginalised or invisible, the Church is failing to reflect the body of Christ and must change. This happens to coincide with the general drive of secular society, and must form part of any future work on building healthy church cultures.
60. This principle of participation has particular bite when it comes to those whose voices have tended to be marginalised or silenced in the life of the Church. We hope that future governance bodies will be more diverse in their membership, but it is worth recognising, however, that those bodies individually and collectively will never embody in themselves the full diversity of the Body of Christ. There will always be voices missing. Whatever structure we choose, it needs to be one that *both* includes a wider range of voices than at present *and* is constitutionally open to challenge by those voices that it has not yet included.
61. Honouring all people is central to the Church's mission and it therefore follows that any governance structure must require all persons within it to be heard and respected. Diversity is not just about representation. We speak later on in this report about our view that the Church's internal electoral systems – which hardwire a literal view of 'representation' into the Church's board recruitment processes – have not delivered the diversity or the skills that the Church of England needs in its governance structures.
62. Good representation is not about electoral processes but about creating governance structures – and more importantly organisational cultures – where people from all backgrounds, traditions and walks of life feel listened to and that their views are heard and acted upon. We hope that our proposals move away from schematic systems of electoral representation towards more diverse and responsive governance bodies.

Theological and ecclesiological integrity:

63. The Church's governance should be designed in order to enable its mission to be fulfilled. Being an expression of the Body of Christ, this means honouring and involving everyone. Any governance body for the Church must be characterised by simplicity and humility, in a community that promotes mutual learning and genuine respect. The Church's vocation to serve the world that is God's must demand that attention is paid to both internal life (worship, prayer, discipleship, outreach – which must undergird all we are and all we do) and external life in service and care for the world we live in.

Trust

64. Effectiveness can best be measured by fidelity to the Church of England's mission. The complex levels of relationship within the Church demand trust between all those involved. Trust in governance is always rooted in common

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ownership, mutual respect and accountability at every level (parochial, diocesan, National Church Institutions, etc). Transparency and effective and timely communication are at the heart of building trust. Governance structures must facilitate rather than frustrate the growth of trust and mutual confidence. All organisations contain a range of interests and perspectives. A good governance model should balance their interests, prevent dominance and enable them to flourish together in a spirit of mutual trust.

Accountability

65. Any governance structure must ensure that the various voices and elements of the Church are heard wherever power is exercised and decisions are made. This means that lines of responsibility and accountability must be as simple, clear and transparent as possible in a complex ecology. As the established Church, with its unique privileges and obligations, its accountability to the Crown, the State and the people it serves is paramount. This includes the Church's ecumenical and Anglican Communion relationships and obligations.

Sustainability

66. A good governance structure should be able to adapt in changing circumstances but also be sustainable as such in the medium and longer-term; it should not simply offer a short-term solution to an immediate challenge but enable sustainability of direction, decision-making and constitutional integrity. This also means that assets (and their disposal) need to be secured in order to minimise uncertainty and optimise assurance of resource availability. Governance structures must take seriously the Church's reputational sustainability, enabling growth in confidence in the institution itself (cf. safeguarding).

Integration/ Coherence

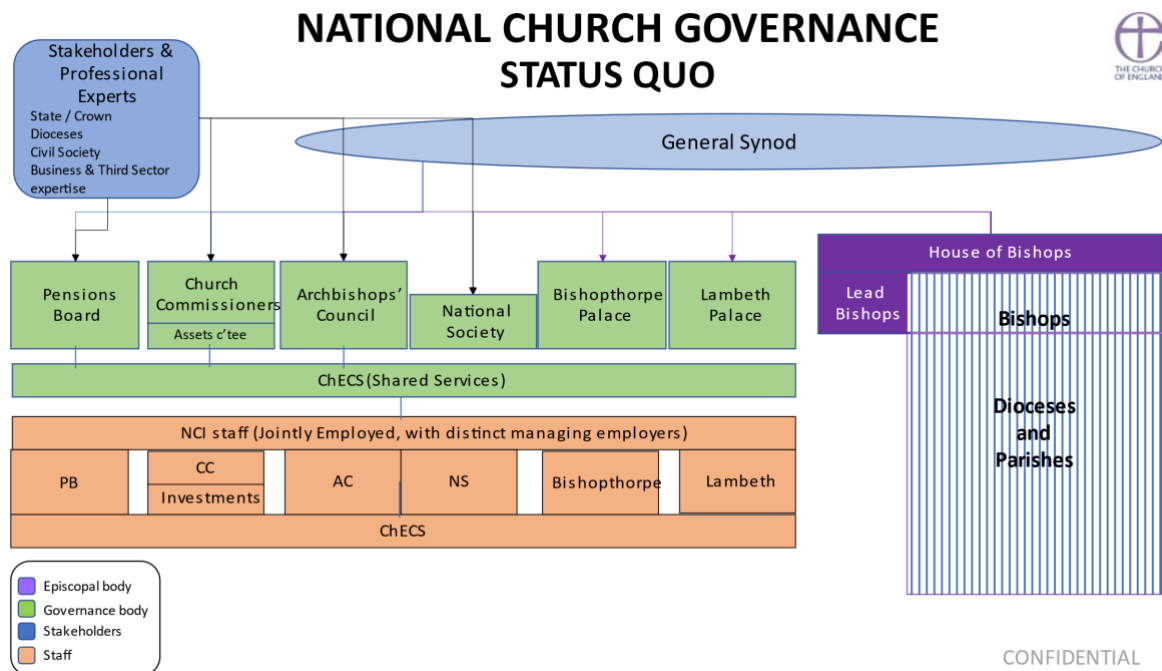
67. The various elements and levels of any governance structure must cohere and minimise the potential for competition or unnecessary tension. Such simplicity and clarity in governance is crucial for ensuring effective subsidiarity, stewardship of resources (including human resources), and integration of functions in a coherent structure. Such integration, allowing for a proper balance between representation and specialist involvement in decision-making, must enhance effectiveness, efficacy and disposal of time availability.
68. It is important that 'insiders' and 'non insiders' alike should be able to understand the governance structure and understand how they can influence it appropriately, which contributes to increased trust. Furthermore, greater connectivity between the national governance structure and the governance structures in the rest of the Church is necessary to ensure the appropriate support is provided nationally and that national decisions are understood and implemented locally.
69. It is important to triangulate thinking around all these various principles, to ensure they are the right ones for the Church's specific context and to provide appropriate yardsticks for the measurement of alternative governance models.

THE STATUS QUO

The current national Governance of the Church of England

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70. As the diagram below shows, in the status quo there are seven separate but interdependent National Church Institutions⁶ (NCIs), supported by a complex administrative structure. In addition, the House of Bishops plays a national role, as of course does the General Synod.
71. At staff level nationally, there is also a mix of separation and interdependency; harmonisation and cultural inconsistency. Whilst we recognise that the Church of England has historic reasons for its fragmented organisational ecology, we have nonetheless been confident from the outset that the status quo in its current complexity is not sustainable or suitable for the Church's future mission. As described in more detail below, this complexity does not nourish the organism of the Church so much as it encourages confusion, duplication and accountability gaps. Our initial information-gathering exercise has reinforced this view.



72. We have noted that, in the last twenty years or so, numerous reports have been commissioned to examine functions, structures, roles, leadership and decision-making in the NCIs. Despite these, there has been **no fundamental structural review of the national Church's governance structures since the publication of the 'Turnbull Report' in 1995⁷.**
73. The 1995 – 6 Turnbull Commission was created after steady over-commitment of the historic endowment, by the Church Commissioners and the wider Church, led to an inflated income requirement and in turn disastrous investment decisions by the Commissioners which came to a head in the early

⁶ Archbishops' Council, Church Commissioners, Church of England Pensions Board, Church of England Central Services, the two Archbishops in their corporate capacities and the National Society.

⁷ "Working as One Body: The Report of the Archbishops' Commission on the Organisation of the Church of England" (popularly known as "Turnbull" after its chair, the then Bishop of Durham)

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1990s. This was widely seen as evidence of inadequate governance structures and the Turnbull Report's diagnosis remains strikingly familiar. In particular it noted that there was no single vision and that no single body had overall responsibility for making decisions and developing policy (especially financial), and that the multiplicity of autonomous bodies created confusion and duplication.

74. The Report recommended the establishment of a single executive body ("a National Council") which would develop strategy informed by a vision set by the House of Bishops, with which it would work closely. The strategy would be implemented by a unified staff secretariat servicing all national bodies equally and without prejudice for or against any particular body.
75. The Turnbull proposals were dismantled during the Synodical process and the current governance structures reflect only aspects of the Turnbull vision. Twenty years on from Turnbull, the Church of England still does not have a unified national governance structure or a single focus of decision-making and strategic planning. The fact that the Church is re-examining governance again now demonstrates how challenging it is for an institution with the history and complexity of the Church to hold together all the issues and interests. Nonetheless, we believe reform is still needed.
76. The Church's current structures constitute a type of organisational ecology rather than a unitary authority or corporation. A multitude of bodies has grown up over hundreds of years including dioceses, parishes, cathedrals, theological education institutions and more. Many of the national committees are executive: they are designed through representative membership to share decision-making with some attention to competing constituencies, so that no pressure group, of which there are many, is seen to be in charge.
77. Representative membership is not primarily about conflict but about enabling the richness of the body to contribute to the governance and leadership of the Church so that no one coalition partner is seen to be in charge. This complex ecology disperses power and creates mutual dependence, which does at least ensure the broad Church remains broad and prevents dominance by one tradition or interest. However, it also produces a number of serious governance flaws which the Church needs to address.
78. Notwithstanding the attempt in the mid-1990s to rationalise the Church's national-level governance structures, there remains a multitude of bodies all seeking to do the Church's work but with a diverse set of accountabilities, structures and methods. As well as the seven NCIs, there is a proliferation of other statutory and non-statutory committees and other bodies, many of which have no formal powers but develop policy and/or make decisions which then have to be formalised by the relevant statutory bodies. There is no consistency between them in terms of their relationships with their respective formal governance bodies.
79. This widely dispersed authority creates the perfect conditions for duplication, overlaps, underlaps and abdication. It is too easy for discussion to circulate without coming to a decision, or to make decisions that are not implemented, or, given the absence of adequate conflict resolution mechanisms, to reach disagreements which turn to criticism and blame.

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80. One specific example is the existence currently of separate Audit & Risk Committees in each of the larger NCIs. While they all perform their tasks diligently and expertly, and fully respecting the statutory and other reasons for the separation of the institutions they support, it must be an unwise and potentially dangerous thing for risk management to be fragmented.
81. Another example is the Emerging Church programme of which this governance review is part. Separate groups are considering governance, effectiveness and vision/ strategy under the auspices of a steering group seeking to ensure overall coherence. Again, they are all working faithfully and expertly, but does this also in itself demonstrate that there is not at present a single body capable of overseeing such a large and wide-ranging review?
82. A “lessons-learned” exercise following the Church Buildings Review revealed systemic problems with the Church’s national governance arrangements. These included the lack of any mechanism for ensuring Synod’s 2015 ‘decision’ was fully implemented and the fact that Synod was able to pass a motion parts of which would subsequently be declared legally impossible to implement. The result is that - although staff have taken forward much of what Synod requested - there remain different statutory bodies with separate policy agendas which creates potential for confusion and uncoordinated, fragmented delivery.
83. We have also reflected on the controversy surrounding the House of Bishops’ 2020 Pastoral Statement on opposite sex civil partnerships. Here, poor communication and lack of clarity in delegation allowed a public statement to be made which caused great distress and provoked a public and media backlash, requiring withdrawal and public and ‘internal’ apologies. The situation arose in part because of the unusual and unclear position/ remit of the House of Bishops in relation to the governing bodies. The Statement had not been discussed with any of the governance bodies and had not therefore been seen through their risk and communications ‘lenses’. It has also been suggested that the atmosphere at such meetings contributed to the problem as some participants felt unable to raise concerns at or between meetings, which begs questions about the culture that our current structures encourage.
84. We also noted an internal audit of the governance arrangements for Resourcing Ministerial Formation. In this case there was confusion as to where responsibility ultimately lay. On its creation the Archbishops’ Council was given responsibility for the financial and strategic oversight of ministry matters. Despite this formal legal arrangement, the nature of bishops’ episcopal calling leads them to consider themselves responsible for ministry. As a result of this confusion about the role of the Archbishops’ Council and the House of Bishops, key documents concerning ministerial formation were not shared with the Archbishops’ Council in order to aid its understanding of the context and direction of the work. The work was delegated to a sub-group and the Archbishops’ Council did not receive any specific reports on this for more than a year. Ultimately, the Council was rushed into making a strategically important decision which sat within its legal responsibilities far too close to the deadline for approval.

THE CASE FOR REFORM

85. Fundamentally, good governance (whatever its shape, size or model) requires **clarity about who makes decisions, and how, and clear accountability for**

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- those decisions** but the complexity of the Church of England's current governance structures makes clear decision-making very difficult. There is considerable confusion currently within the Church about decision-making authority, a lack of understanding about which decisions different bodies are empowered to make and whether those decisions then carry authority and may be implemented. There needs to be far greater clarity in the Church of England regarding who makes decisions and how those decisions are reached.
86. There is also confusion between **decision-making processes** and the **representation** of a certain group, place or viewpoint. These questions need to be separated and clarified. Charity law is very clear that membership of a particular charity carries with it the responsibility to act in its best interests and the best interests of its beneficiaries. Where membership is drawn from different parts of the wider body, in this case the different parts of the Church family, that enables it to draw upon the richness of wider perspectives and experiences, and to appreciate all the relevant contexts. That is good governance. But, where trustees prioritise their representation of a constituency over responsible decision-making bearing in mind the requirements of the trust/body, this can lead to poor governance.
87. Whilst it does not necessarily follow that small groups will automatically make good decisions, it is true that very large and complex groups are usually unwieldy and are not best-placed to make decisions swiftly or effectively and this needs to be borne in mind in the design of any new governance structure.
88. Whilst we note elsewhere in this report some complexity about what accountability means and how it is exercised in different contexts, the Review Group would underline again the fundamental point that has to apply to every part of the body of the Church: **wherever there is responsibility, it must be clearly expressed and clearly understood**. And that means clearly understood both by those who carry the responsibility and by those stakeholders, at whatever level, who have a right to know where the responsibility lies and how well it is discharged.
89. The number of Archbishops' Commissions are examples of highly significant and very substantial pieces of work which can be initiated without the engagement and endorsement of any of the current governance structures. This development has caused some tension and was raised with us in several of our focus groups. It was pointed out to us that such commissions may be an understandable response to and a by-product of the relatively slow moving and unwieldy nature of current governance mechanisms. It was also suggested to us that such commissions could be said to lack buy-in and the legitimacy which formal governance endorsement would give them. Nevertheless, they make recommendations which are then expected to be endorsed by the Church's governance bodies who may then be required to secure finance and commit human resources (outside the planned budgets and agreed priorities) and oversee the implementation of these recommendations.
90. We acknowledge that the number of Archbishops' Commissions and the range of their work indicates a failure of the Church's existing governance structures to tackle radical issues, make bold policy recommendations, move quickly and to secure the confidence of the Archbishops. We also acknowledge, as did several consultees, that such commissions do valuable work. The

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resounding endorsement of the proposals arising from the Archbishops' Commission on Housing at the July 2021 General Synod supports this view.

91. Nonetheless, by emerging and existing outside the governance framework, the Commissions are not an effective means of holding together policy and resource implications, nor are their work and decisions necessarily aligned with the Church's agreed priorities as owned by its existing governance bodies.
92. The Review Group has explored further three particular areas which follow on from the above questions about decision-making authority, clarity, simplicity and accountability. They are episcopal leadership, synodical government and the management and oversight of the endowment. We set out our thinking on these matters below.

Episcopal leadership

93. As an episcopally-led Church, we must start with the role of the bishops in Church of England national governance. While our focus groups were illuminated with opinions on a wide range of issues, uncertainty about the role of bishops within national governance was a constant and recurring theme. It is clear that there is a wide spectrum of understanding of what the role of bishops should be at national level. We note that the general confusion amongst our own membership and with everyone to whom we have spoken (including bishops themselves) about the roles of bishops and about the relationship between them and other parts of the Church in itself demonstrates the need for reform.
94. This report cannot possibly explore all these viewpoints, but we note that a separate group, led by the Bishop of Ely has been working on the nature and role of episcopacy as part of the Emerging Church process. The conclusions of that work will of course need to be overlaid on this Group's thinking, but the remainder of this section shows our current thinking on the role of bishops in national governance. We note that this thinking may subsequently be amended by the conclusions of the Bishop of Ely's group, but we felt strongly that this provisionality should not be a reason to prevent our own group's thinking on this subject.
95. The Review Group has considered questions about how bishops use (and understand) their power, how they could use it more effectively, be better supported, and what all this means for our governance structures. As noted above, the Church clearly understands itself to be episcopally-led, but the day-to-day reality of this is not quite so clear. Bishops have a complex collection of powers and the interrelationship of those powers is not evenly understood. They perform multiple modes of leadership as part of their historic role which does not fit into conventional modern governance models.
96. Primarily, diocesan bishops are chief pastors in their dioceses although they may share this pastoral responsibility with suffragan and area bishops. In addition they have diocesan decision-making roles which, although shared with diocesan committees and councils, clearly marks them out as strategic leaders of the Church in their locality.
97. In short, while the members of the House of Bishops are spiritual leaders of the Church of England and are empowered to lead in other ways in their dioceses, the issue of how they lead collectively at national level is complex and contested.

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This leads to an ambiguity about how far they are accountable for the decisions that they make in the House and how far they are responsible for the implementation of those decisions at national and diocesan level.

98. The GRG has also observed that the fact that bishops are so strongly identified with location potentially makes it more difficult for them to come to a collective, national view and/or be loyal to decisions taken in the national interest. Indeed, some have suggested that the nature of the episcopal appointment process may not produce the candidates best equipped for visionary national leadership if such candidates are chosen based on local needs rather than the broader make-up of the House of Bishops. . On the other hand, it has been put to us that bishops' closeness to, and understanding of, local activity added to their closeness to (and ability to influence) national activity gives them a unique, 'bridging' perspective which is valuable and needs to be nurtured and supported.
99. It has also been pointed out to us by some of those with whom we have spoken that there is a lack of clarity about how the Archbishops fit into the national governance structures and how far they are supposed to operate independently of them.
100. In one of our focus groups, it was suggested that too many discussions in the Church have been bedevilled by questions about what bishops are and what we should expect of them at national level. Bishops are apostolic ministers, chief pastors and teachers. But what is the specificity of their role? We have heard that, in addition to their oversight of strategic, fiduciary, policy, and safeguarding matters, they have a unique relational role wherein they are required to reach out into the world, to go beyond the day-to-day running of the diocese, to be foci of unity and disagreement, and to ensure the vibrancy of the whole. In carrying out these roles they employ the powers of blessing, invitation, inclusion and brokering.
101. Clearly, the Church's governance arrangements should enable bishops to perform this unique ministry rather than smother it with what is sometimes negatively regarded as 'managerialism'. There should not however be a binary division between management and pastoral care. Pastoral care is not enabled by bad management, and good management ensures that pastoral care actually happens.
102. Nonetheless, the Review Group believes leadership in the Church should be comparable qualitatively with leadership in other walks of life and that bishops should exercise the management and leadership skills which they possess, rather than delegate this. But they should not be expected to do so alone. Leadership in the Church is, and should be, shared by bishops, other clergy and lay people in partnership. They all bring different skills and good governance is best served by finding ways of bringing the right skills together in the right place for the performance of the relevant activities, rather than arranging people by category.
103. We have considered ordinal-based qualifications of bishops, including as
 - evangelists,
 - theologians,
 - prophets,
 - stewards and

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- apostles. . .
104. . . . and qualities-based qualifications including
- living a life of prayerful faithfulness to the gospel,
 - holding the vision,
 - preaching, teaching and providing pastoral care,
 - working with other people and the formation and leadership of other people,
 - understanding social and political contexts,
 - management of resources, structures and safeguarding and
 - being communicative and connectional.
105. We take the view that there is no conflict between the spiritual and administrative qualifications, or a dichotomy between secular leadership and Christian leadership. Rather, good leadership practice should be recognisable in the Church, to those whom it serves, albeit thoughtfully shaped and enhanced for the appropriate context. We have also noted that leadership is about more than taking a brief or chairing a meeting. Accordingly, the 'lead bishop' concept should be deconstructed to distinguish between being the public face of a particular area of work and leading on the development of policy in that area.
106. The Group is also conscious that the Church sometimes unfairly requires individual bishops to be skilled at a very wide range of matters. Many of the portfolios they carry, in addition to the 'core' of their episcopal role, are exceptionally demanding. They generally bring to these roles aptitude for encouraging team working, problem solving, decision-making and asking the right questions, but they do not necessarily always have the legal, financial management or other technical skills which in other organisations would be supplied by specialists. This is not a criticism of bishops – it is in fact remarkable how much knowledge they do carry, across widely ranging subjects. But they are humans and cannot be expert in multiple technical disciplines in addition to their spiritual, pastoral and visionary roles.
107. As such the Church needs a structure which enables the leadership characteristics and perspectives that are specific to episcopal ministry to blend as effectively as possible with the skills and experiences of others.

The House of Bishops and the role of 'Lead' Bishops

108. Currently, the House of Bishops operates as if it was one of the governing bodies of the Church, discussing matters of finance, policy and administration, despite the fact that the House has no statutory legal identity except as a House of Synod. Strictly speaking, the only national bodies which are legally empowered to take on a governance role are the Church Commissioners' Board of Governors, the Archbishops' Council, the Church of England Pensions Board and ChECS. In reality, few significant national decisions are made at national level without putting them before the House of Bishops for comment and approval. At present no national initiative can go forward without the agreement of the House of Bishops.
109. This creates a number of difficulties.

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- Firstly, the House of Bishops is in effect trespassing on the powers which legally belong to the four governance bodies named above.
- Secondly, the House of Bishops only includes approximately half the bishops of the Church of England, since its voting members consist of the Archbishops, the diocesan bishops and the nine Elected Suffragans from the Northern and Southern Provinces.
- This leaves approximately 64 bishops who are members of the College but not the House excluded from national policy-making by dint of the fact that they are not members of the House.

110. All these observations have led us to take the view that the House of Bishops is not best placed in governance terms or in terms of inclusiveness to occupy the role of quasi governance body which it has assumed in recent decades. Only the College of Bishops can legitimately claim to incorporate all episcopal voices. Enhancing the role of College of Bishops in the national life of the Church would enable all bishops make their proper contribution to the vision of the Church at national level.

111. The House of Bishops Standing Committee (15 members) is of a suitable size to be a governance body of episcopal voices. It currently operates as an 'inner cabinet' of the House, discussing sensitive topics and preparing issues for meetings of the House, although its formal role limits it to setting House agendas. The Standing Committee does have the potential to evolve into an episcopal governance body, with revised membership and a clearer remit. It could also act as the link between the bishops and the other Church governance bodies.

112. These arrangements would free the majority of bishops from the managerial responsibilities of overseeing the execution of service delivery and central technical administrative functions (e.g. legal, technology, finance and others). Instead, a successor to the House of Bishops Standing Committee in the form of the Board of Bishops could be the link body between the College and a national governance board containing experts in those fields who would provide practical leadership.

113. In recent decades, it has become established practice for each national initiative to be headed by a 'Lead Bishop'. However, as the Lessons Learned report following the Church Buildings Review pointed out, there is no role description for a Lead Bishop and no clearly understood set of expectations for what she or he is meant to do.

114. We have noted that some 'lead bishops' see their roles at national level as simply chairing meetings. Other 'lead bishops' act like Government ministers with portfolios, taking an active role in working with the staff of the various governance bodies to develop and implement national policies. This is clearly one of the many ambiguities about the role of bishops at national level that needs to be resolved in the next phase of governance reform

Recommendations

2. The House of Bishops should focus on the decisions and the activities which are required of it as one of the Houses of General Synod but the role of College of Bishops in the national life of the Church should be enhanced.

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3. The College of Bishops should elect 12 of its members to form a **Board of Bishops** to work with the national governance bodies on matters of governance and policy and to elect those to serve on the national governing body.
4. There should be a review of the role of **Lead Bishop** and, if it is to continue, a role description should be developed.

Synodical government

115. We now turn from the role of Bishops in national governance to the role of the General Synod. This is perhaps one of the most vexed and widely misunderstood aspects of national Church governance.
116. The General Synod was not included in the Review Group's Terms of Reference and as such we have avoided addressing its function in detail. Nonetheless, several consultees have questioned why we were stepping back from this question and have said that the Church cannot fix governance problems without addressing flaws in the Synodical system. We have been asked by some consultees to be brave and to address this 'elephant in the room'.
117. Whilst our Terms of Reference do not enable us to address this ourselves, we do express our sympathy with much of what has been said to us in this regard and we express the hope that others will seriously consider how changes to the way Synod operates might enable it to serve better. There is also a more positive case for reform of the General Synod. Quite simply that there is a pressing need to shape Church of England governance to meet the challenges – which are also exciting opportunities - of the future and reflect the work done on vision, values and strategy.
118. The General Synod has a clear identity as a legislative body under the 1969 Synodical Government Measure. In practice there is far less clarity about the extent to which it has (or should have) oversight of the NCIs' work. The expression 'synodically-governed' may have originated with the 1969 Measure, which created the General Synod in its current form, but the phrase is an unhelpful one as it supports the widespread misconception in the media that General Synod is the Church's governing body, when this is not the case.
119. The General Synod sets the budget of just one of the NCIs, elects board members to some but not all of them, receives annual reports from some but not all of them, and can pass motions 'calling upon' any of them to do things which it cannot necessarily enforce. Neither is Synod the governance body for the NCIs; they are registered charities subject to separate regulation of their governance (e.g. by the Charity Commission).
120. Good governance needs both appropriate expertise and representation. But, while there are of course many gifted people serving on General Synod, it is not a given that the person with the necessary level of expertise for any given role will be present on Synod at a given time or that they will be elected by Synod to the relevant body. Appointment processes are not guaranteed to produce the perfect appointment either, but they are at least designed to seek out the person with the right combination of skills, knowledge, and experience, whilst addressing issues of diversity. The synodical election process is not specifically designed to ensure it.
121. Consultees have pointed out to us that Synod features a significant number of 'campaigners' and specialists and that it is not socially, racially or demographically

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diverse. While this is not necessarily an entirely fair depiction of the overall contribution of Synod and its enormously committed and knowledgeable members, we do agree that a) the Synod's culture can be impacted by some elements of factionalism, and b) that Synod's lack of diversity impacts its ability to perform its own function as a legislative body in the ecosystem of the governance of the Church, and has a secondary impact on the governance bodies to which it elects members from its own number.

122. Yet despite its formal structure, the Synod does in practice perform a significant non-legislative role in the governance of the national Church, receiving the Annual Report and Accounts on behalf of the membership of the Church of England. Most national policy initiatives are put before the Synod in non-legislative form in order to gain Synod's approval prior to the governance bodies proceeding with any practical next steps or bringing legislative proposals back to Synod. It is difficult to conceive of any national initiative – legislative or non-legislative – which could proceed against the will of the General Synod. In reality, therefore, Synod does have a role in decision-making as well as its legislative role, but this position needs to be clarified. Synod does potentially have an important role to play in ensuring accountability, for example in taking a proactive role in scrutinising the financial reports of some of the other governance bodies.
123. Whilst legally a legislative body, it is noticeable that there is less and less interest amongst Synod members in transacting legislation. Bishops in particular often disengage from Synod to attend to other high priority work and the interest of Synod members in legislative matters has waned in recent years. Legislative debates (the main function of General Synod) are generally poorly attended. The majority of members have become increasingly interested in debates on social policy motions where Synod's powers to influence change are usually expressed in the form of motions requesting the governing bodies and Diocesan bodies to take some form of action.
124. Despite all these concerns, we take the view that any viable alternative governance arrangements must ensure that - notwithstanding the leadership role of the bishops - the role of the clergy and the laity is properly recognised and that Synod takes its proper place in the structure. The General Synod does have the potential to play a more positive role in national Church governance through modelling the partnership of the whole people of God. As a legislative body, Synod may not be equipped to govern, strictly speaking, but its influence is large, because it wields a different kind of power, both legislative and 'soft' power in terms of its public profile and status within the Church.
125. The Church must give serious consideration to the reform of General Synod and Synodical government generally. We consider that there is a lack of clarity about the role of General Synod and issues with its perception which need to be resolved as well as the potential for Synod to perform a greater role in scrutinising national Church activities. All these issues should be addressed in order for national Church governance to operate effectively.

Recommendation

5. The Church of England should initiate a new piece of work to explore the reform of the General Synod and Synodical government more widely.

Management and oversight of the endowment

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126. The Church Commissioners manage the Church's historic endowment. This originated from Queen Anne's Bounty in 1704. Taxes paid by clergy on their benefice income since the early days of the English Church went to the Crown after the Reformation. Prompted by abject clergy poverty, Queen Anne re-directed this money to improve incomes and, later, to provide and repair parsonages for the less well-off clergy.
127. Parliament subsequently (in 1836) created the Ecclesiastical Commissioners to re-shape dioceses, take on some of the estates of bishops and cathedrals to fund their work more efficiently and used the surplus income to help fund parish ministry in areas of greatest need. These two bodies merged to form the Church Commissioners, who inherited the assets of both, in 1948. Essentially, the State ring-fenced a national asset for the Church in perpetuity.
128. Currently, the Church Commissioners' Investments team is overseen by their Assets Committee which (in accordance with the Church Commissioners Measure 1947) has an "exclusive power and duty to act on behalf of and in the name of the Commissioners in all matters relating to the management of [the] assets of the Commissioners", subject to certain general rules set by the Commissioners' Board. There are currently four such general rules⁸. The Assets Committee also has a duty under the same Measure to make recommendations to the Commissioners, based on actuarial advice, as to the amounts of money to be made available for distribution or reserved for reinvestment.
129. The Assets Committee is responsible for approving the strategic asset allocation of the fund, the investment risk guidelines, fund manager mandates above a certain threshold, the delegated authority levels for the investment team, the framework for determining sustainable distributions and responsible investment policies to be recommended to the Board for approval.
130. The Assets Committee's membership balances investment expertise and stakeholder representation, comprising as it does the Crown-appointed First Church Estates Commissioner (ex officio), two Commissioners who are clerks in Holy Orders (at least one elected by the House of Clergy) and not less than four nor more than six lay Commissioners appointed to this committee by the Archbishop of Canterbury (at least one elected by the House of Laity). These appointments seek to ensure the Committee has the necessary professional skill and experience required to manage the large and diverse portfolio.
131. As noted in our section on the Turnbull report, questions about governance structures have in the past arisen in relation to the handling of the Church of England's assets and the management of expenditure. The absence of a single decision-making body allowed a situation whereby the Church Commissioners, from their creation in 1948, were able to pursue their own investment policy while other parts of the Church pursued their agendas without a common understanding of their cost and their sustainability. Thus over some four decades liabilities were

⁸ The general rules are a) to review, at least annually, asset allocation and investment performance; b) to manage the Commissioners' assets with full regard to the Commissioners' ethical policy approved by the Board on the recommendation of the Assets Committee; c) to seek the express approval of the Board before any new borrowing; d) to report at least quarterly to the Board on investment strategy, performance and other significant items of the Committee's business.

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accumulated and the level of income required from the endowment steadily grew, ultimately resulting in unwise investments (primarily in commercial property). When the market ‘turned’ in the early 1990s, the infamous financial losses were realised.

132. The Church’s response to these events did produce a greater sense of collective responsibility in ways both big (restructuring the Church’s ‘economy’, in particular the way in which pensions are funded) and smaller (the Commissioners improving their own long-term forecasting and actuarial rigour, and General Synod introducing mechanisms for informing members of the likely costs of its decisions). However, ultimately, the asset management function was not transferred to the Archbishops’ Council on its creation. Nor were the Commissioners’ spending powers for mission, e.g. funding for bishops’ and cathedrals’ ministry, or in the form of grants to the Archbishops’ Council for onward disbursement through allocations to Sustainability funding, Strategic Ministry funding and Strategic development funding. Decisions on expenditure are still shared by the Archbishops’ Council and the Church Commissioners.

A NEW GOVERNANCE MODEL FOR THE CHURCH OF ENGLAND.

The Church of England National Services (CENS) governance body and its Board

133. All these considerations then bring us to the question of how the Church of England’s national governance structures should look in the future. As referenced in the Chair’s introduction, our thinking has been guided by the search for simplification, for greater accountability and for transparency. We reiterate these key points here. We owe it to all Church members, and indeed the public, to be an easier-to-understand body even if we are at times carrying out complex work. We must therefore strive not for superficial neatness but a clear and accessible structure within which different roles and responsibilities are clearly allocated.
134. In this spirit, we think that many of the activities of the Church at national level which are currently spread between the different national governance bodies should come under the umbrella of **an integrated governance body with a single Board of Trustees**.
135. This body would combine most of the activities currently overseen by the Archbishops’ Council, the Church Commissioners and Church of England Central Services (ChECS). It would also combine within its operations the activities which currently take place under the oversight of the Archbishops’ offices at Lambeth Palace and Bishopthorpe, ensuring that these activities are fully integrated into the overall strategy and operations of the Church of England at national level.
136. A more integrated national governance structure and a single board of trustees would be able to offer a holistic approach and oversight. Leaving aside the functions of the bodies which we conclude should remain independent, the proposed new organisation could undertake the following functions at national level:
- Enabling the development, communication and execution of an agreed national vision and strategy for the Church of England.

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- Supporting policy development on topics where national consistency is essential (to be determined, but examples include education, safeguarding, standards of training for ordination, the environmental agenda, ethical questions).
- Oversight of an agreed high-level framework for pastoral reorganisation, church property (excluding investment property which forms part of the Church Commissioners' responsibility and needs to be, and should continue to be, independently managed), diocesan restructuring and coordinating work on national governance changes.
- Supporting the Church, in particular archbishops and bishops, in its interaction with Parliament, Government and national civil society and in its engagement with ecumenical and interfaith matters.
- Enabling development and agreement of clergy terms of service, remuneration and benefits, and oversight of payroll and benefits functions.
- Determination and oversight of an agreed funding model for national functions and supplementary grant funding to Dioceses.
- Determining the best use of the resources made available to it.
- Supporting bishops with an agreed programme of work to ensure standards and quality assurance of selection and training for ordination
- Supporting dioceses/parishes with provision of professional advice and guidance, common templates and training.
- Development and execution of the Church's digital strategy.
- Acting as the legal employer for all nationally employed staff, including if legally possible those working within another national body.
- Provision of administrative services/secretariat to General Synod, the archbishops and the College of Bishops.
- Supporting Dioceses with provision of shared back-office services where there is demand and based on a clear case that it is more effective and efficient.
- Provision of a Church-wide system and processes for data collection, management information, research and archiving.
- Facilitation of a learning culture through support for knowledge sharing, peer networks and communications channels between worshipping communities.
- . . . the functions and responsibilities of the new body to be finally determined in the light of the outcomes of work by other Emerging Church groups.

137. The ethos of this body would be to act not only as a national vision and strategy setting body but also as a resource **services organisation** for the wider Church, offering greater simplicity and transparency of approach at national level. For this reason, we are suggesting that it should be called **Church of England National Services (CENS)** and have as its purpose to support and serve the

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mission of the Church of England across the nation. We should flag here that as a group we were not all in agreement with the proposed name of this body and we accept that it may need refinement or changing at a later stage in the discussion process. We have also considered **Church of England National Board (CENB)** and **Church of England Governance Body (CEGB)**. We believe that all these are alternative options.

138. We have reached a clearer agreement on the activities that this body would oversee which we have outlined above. As a statutory body created by Measure and as a registered charity, the CENS would be the main national Church of England governance body, setting the vision, values and mission strategy of the Church nationally and leading on key policy issues. The CENS would determine the strategic allocation of resources, thus bringing together strategy and finance, although the asset management activities, including decisions about the overall amount of income from the endowment that can be sustainably distributed, would remain with the Church Commissioners.

139. Our recommendations are therefore as follows.

Recommendations

1. Most of the national functions of the Church of England should be carried out within the framework of a single national body called **Church of England National Services (CENS)**, with a board of trustees, established for charitable purposes under the Charities Act.

Composition of the CENS Board

140. We have given careful thought to the appropriate profile for the proposed CENS governing body. We consider that 26 members is far too large a number for a Board to function effectively. The Board of Trustees should comprise a combination of ex-officio leaders from within the Church and “non-executive” members with a range of relevant skills and diverse backgrounds, appointed following an agreed nominations process to ensure not only the availability of the necessary skills but also diversity.

141. We offer a number of illustrative options for the composition of the membership of the Board of Trustees of the CENS as follows. These options will require further consideration at the next stage of the governance reform work.

CENS Board Composition: Option One – sixteen members made up as follows:

Ex-officio:

- 2 Archbishops
- 2 Prolocutors, elected by the Lower Houses of Convocation
- Chair of House of Laity, elected by that House
- Vice Chair of House of Laity, elected by that House

Elected:

- 2 Bishops, elected by their peers (i.e., the College of Bishops acting as the electorate, choosing members from the Board of Bishops)

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Appointed:

- A maximum of 8 people, no more than two of whom may be in Holy Orders.
- These would be appointed through an open process led by the Nominations Committee, using an agreed specification for governance skills, experience and diversity.

142. This model replicates some of the existing Archbishops' Council arrangements in the ex-officio roles, retains the formal link with General Synod through the inclusion of the key elected representatives, strengthens and makes more transparent the processes for the appointment of other members, reduces the number of members compared to the Archbishops' Council or Church Commissioners (though still results in 16 people, which is a larger Board than ideal for effective decision making but is closer to the best practice identified by the Charity Commission) and achieves a clergy/lay balance.

CENS Board Composition: Option Two – sixteen members made up as follows:

Ex-officio:

- 2 Archbishops

Elected:

- 4 Bishops, elected by their peers, having first demonstrated through the Nominations Committee that they meet the agreed specification for governance at the national level.
- A maximum of 4 members of General Synod, of whom no more than two may be in Holy Orders, elected by the Synod, having first demonstrated that they meet the agreed specification.

Appointed:

143. A maximum of 6 lay people, appointed through an open process led by the Nominations Committee using the agreed specification. This model strengthens the episcopal presence on the Board which might be said to echo the executive director team in a secular unitary board structure. It offers a different type of representation from the General Synod, less to do with formal structures and more to do with relevant competencies.

CENS Composition: Option Three

144. A more radical version of the second model would be for **all** members, except the ex-officios (i.e. the archbishops), to be drawn from the whole Church membership, ie all those who qualify as Anglicans, using an open process led by the Nominations Committee working to an agreed specification. There would need to be some rule as to clergy/lay mix to ensure balance on the final Board. There would be nothing to prevent Synod members from applying. Arguably this third version would offer the best prospects for improving diversity and inclusion. It could also facilitate a further reduction in total numbers of members of the Board from sixteen to twelve.

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145. We take the view that though from a 'purist' governance perspective, the smallest board size might be the optimum option, this would be practically impossible to achieve in the Church context. We therefore offer options 1 and 2 for consideration, noting however that option 3 does not necessarily require the reduction in the number of members.

Transitional Arrangements

146. If our recommendations are accepted, legislation will be needed to establish the new Church of England National Services body and its governing Board, and a process will need to be agreed with regard to how to transition to the new arrangements.

147. We have considered whether the appointment of the first CENS Board might be achieved by nominating members from existing governance bodies, and/or the establishment of a temporary nominating committee, or indeed some other mechanism. We believe that the best transitional arrangement might be for an appropriate nominating group to select the members of the first Board of the Church of England National Services (CENS) organisation from the members of the existing governance bodies. After this had been done, the new Nominations Committee would oversee the formation of a 'community' of trained individuals to assist with the recruitment and election of members subsequently (this proposal is described in more detail in a later section). In the first instance, appointments should be made on staggered terms of office to avoid too many terms expiring simultaneously.

Recommendation

6. The options for the composition of the CENS Board – including any transitional arrangements - should be considered and developed further at the next stage of the Church's governance review work.

Sub-Committees of the Church of England National Services (CENS) Board

148. There are currently more than a hundred 'second tier' boards, committees and other groups in the sub-structure of our national governance. Many of these are longstanding, some of them are required by statute, and all of them undertake their work faithfully. But it is abundantly clear that there are far too many of these bodies and that there is confusion about their respective roles, gaps through which work can fall, and duplication of work. This is in addition to the cost and administrative burden of supporting such a heavy structure.

149. The relationships between these Committees and their 'parent' Boards are unclear and uneven across the NCIs. The Church Commissioners have a relatively simple structure involving a Board and four Committees (one of which, the Assets Committee, is in turn supported by two smaller, informal sub-groups), and the delegations to the sub-committees are clearly delineated in legislation, standing orders and terms of reference.

150. On the other hand, the General Synod and Archbishops' Council are supported by an array of statutory, non-statutory, advisory and other groupings with less clear relationships (e.g. the Ministry Council sits under the Archbishops' Council but in practice has a stronger relationship with the House of Bishops). There are also dangers that some of these sub-committees have imperfect reporting arrangements with their 'parent' bodies, and are engaging in policy-

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making and decision-making activities which are legally the responsibility of the board to which they are accountable. We believe that both the Ministry Council and the Emerging Church Steering Group are in danger of over-stepping this mark.

151. Governing bodies cannot function without an 'engine room' to turn their high-level policy decisions into strategy for implementation and, while the latter function largely falls to the staff, sub-committees may sometimes be appropriate. Despite this, having a large number of sub-committees (whose membership, operations and modes of meeting are often dictated in primary or secondary legislation) leads to duplication of effort, confused decision-making and lack of transparency and accountability.
152. In this complex network of sub committees and groupings, decisions made in one place can be reversed or over-ridden by another committee. Matters which are considered 'too difficult' for one body (Safeguarding being a particularly tragic example in recent decades) can be passed around various boards and committees, with each refusing to take responsibility. No sub-committee should have a separate legal personality – or (perhaps more importantly) be allowed to behave as though it does.
153. There is also the sheer work and resource required of staff and those serving on an unremunerated basis to service these boards and committees, often requiring them to take the same set of recommendations to two, three or more such bodies, with no clarity regarding which of them has the final say in any decision and which may be held accountable for it.

Recommendations

7. The Church of England National Services Board should be supported by the minimum necessary number of sub-committees to ensure its operation, including Risk & Audit, Nominations and Finance and the minimum possible number of others and only to the extent essential.
8. Consideration should be given to a piece of enabling legislation to facilitate other boards and sub-committees to be dissolved.
9. Any remaining committees must have clarity regarding their purpose, level of authority, reporting lines and methods. They should not over-step the powers and remit delegated to them by the governing body to which they are accountable.

OTHER INDEPENDENT GOVERNANCE BODIES

Asset Management

154. Although memories are long and, in parts of the wider Church and the general public, stories of the early 1990s financial disaster are still live, in the investments industry the Church Commissioners' reputation as an investor is very strong indeed. Their returns have been genuinely world-class since the difficulties experienced in the 1990s and their globally-recognised Responsible Investment achievements continue to grow.
155. This helps not only attract and retain the highest calibre staff and trustees but also enables the Church to 'punch above its weight', in terms of the endowment's size, in the Responsible Investment field, where the Commissioners and other

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National Investing Bodies are leading significant change, globally, in corporate behaviour. In short, the Commissioners' 'brand' opens doors to recruiting expert members and staff, investment opportunities and collaborative corporate ESG engagement that would not otherwise be possible for a fund of its size.

156. Whilst the Review Group is clear that this impact and performance must not be jeopardised, we have also asked whether this level of performance could be protected or indeed nurtured within a different, more integrated, structure. The Group has been challenged to think about whether the management of the 'central' endowment is so very different from what Diocesan Boards of Finance do in microcosm (in terms of balancing current expenditure needs with future spending capacity via their integrated structures, wherein they are incorporated bodies legally responsible for both). There is of course a difference in scale, not only in terms of the quantum of funds but also the strategic power of those funds, and the extent of the demands made upon them, and this example did not cause the Review Group to change its mind about the need for an independent asset management function at national level.
157. We note that a brand is not merely a name and a logo. In the case of the Church Commissioners' 'brand', what carries value is the diversity of the Commissioners' asset allocation, outstanding financial returns, influence in the markets and disciplined approach to investment and distribution. These things are held together and to disturb one would be to jeopardise them all. But by holding them together, the Church gains access to investment opportunities and the power to influence corporate behaviour, neither of which would be available to another body. The Church should not make any change that would compromise the quality of this function, nor underestimate the benefit of the Church Commissioners' 'brand' in this particular regard.
158. These organisations structure themselves in this way because the highest calibre investment professionals, in an extremely competitive market, are attracted, retained and motivated when not part of the politics or bureaucracy associated with wider organisations. We asked ourselves a question regarding whether these benefits of ring-fencing could still be achieved either by outsourcing the function to an external body or by locating asset management within a separate Church body which is wholly-owned by the main governing body.
159. In our view, the first of these does not seem appropriate. An outsourced function would still be under the command of the governing institution so true independence would not be achieved. Moreover, the Review Group received compelling feedback from some of those currently entrusted with the Church's historic assets that, while a number of top-class investment managers have the competence to manage the endowment, none could do so with the love and care exercised by the Commissioners' Assets Committee, which consists of trustees who, apart from the First Church Estates Commissioner, give their considerable time on an entirely voluntary basis.
160. To answer the second question, one must consider i) to what extent a wholly-owned subsidiary could in reality avoid political distraction and resist pressure from the 'parent' and, on the other hand, ii) whether a completely separate asset management function can be sufficiently aware of, and influenced by, the wider concerns of the ultimate beneficiaries' best interests. Bluntly, these questions are about what ring-fencing means in practice, in terms of how different parts of the

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Church receive income from the endowment, and on the other hand how the independent body ensures it remains 'plugged in' to the Church it exists to serve.

161. We have asked ourselves which is the greater risk: a separate asset management function being isolated from the Church's needs and strategic opportunities and exercising over-caution in releasing funds, or its being fully-immersed in the Church's contemporary needs at the expense of over-distribution and reduced capacity in perpetuity? (We need to avoid both scenarios of course.)
162. Another key to investment success is a clear investment and distribution philosophy which is implemented in a clear and disciplined fashion. In the Church's case, the Commissioners are able to take advantage of the long time-horizon afforded to them as a perpetual endowment. It is of course critical that the Church's investment strategy matches its commitments/ liabilities and, for some, this argues in favour of the Turnbull vision of one body making both investment and expenditure decisions. Matching investment decisions with expenditure planning is a very delicate balance. It is easy to see how quickly things could unravel if distribution profiles were uncertain.
163. On the other hand, spending decisions will inevitably be based on shorter-term thinking responding as they do to the prevailing needs. Nobody would argue that the more urgent needs of the Church should be ignored purely to uphold the endowment's value in the future, but it must also be acknowledged that, if the investment strategy or distribution model were to become skewed by shorter-term expenditure policy, this ultimately leads to reduced long-term returns and hence reduced funding support.
164. Given that the endowment is essentially a national asset ring-fenced for the Church's needs, it is also important to consider what Parliament will accept in this regard. We should avoid unwittingly encouraging talk of disestablishment by tampering with these arrangements. Whether it comes from the 'independence' currently enjoyed by the Church Commissioners' Assets Committee or some other mechanism, the asset management functions need a particular kind of strong governance over and above developing strategy and scrutinising performance. It must also be capable of withstanding pressure, be that pressure to change course when the inevitable periods of weaker performance come along, or pressure to release additional funding in response to the myriad calls for support that are required. The asset management functions should continue to have accountability to both Synod and Parliament and they therefore need to remain part of the Church Commissioners in order to discharge these functions.
165. While the desire to protect the endowment and its capacity to support the Church's mission in perpetuity is necessary (not only from a financial and missional point of view but also in terms of compliance with trust law and honouring the State's endowment), it must also be recognised that income is not an end in itself. The Church's investment returns *only* matter because they translate into expenditure 'on the ground'. Indeed the Church will have gone seriously off-course if it has a well-run investment function producing superior returns but holds money too closely to its centre while the Church nationally and locally struggles.
166. Having noted the risk of over-distribution in a fully integrated model where the investment strategy might be skewed by short-termism in expenditure policy, we

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have also been mindful of the risk of under-distribution in a model where investment matters are considered in a vacuum, uninformed by the current needs of the Church. In addition, Professor Mike Higton reminded us of the need to ensure also that investment activity is not isolated from the Church's theological discernment as a result of its independent status.

167. Currently, the national investing bodies draw upon high quality, theologically-based research and support from the Ethical Investment Advisory Group, they work closely with each other and with a range of other responsible investors within global coalitions and engage regularly with General Synod and others. They generate funds but also make a difference in the world, which makes their work missional. This should be maintained.
168. Ultimately, the question of where to locate this function rests on a trade-off between, on the one hand, alignment of investment strategy with the Church's vision and, on the other hand, ensuring a balance between the current impact and the future sustainability of the Church's assets. In short, an asset management function that was part of a unified governing body would need to have appropriate investment expertise and adequate controls over funding decisions to ensure disciplined prioritisation, whereas the 'independent' asset management function we have now needs to ensure it does not lose touch with the needs of the Church it is there to support.
169. The Review Group has concluded that, while they need to be fully engaged with the wider Church, the Church Commissioners should, in respect of their responsibilities for making long-term investment decisions, determining sustainable distributions levels and maximising the Church's influence as a responsible investor should, remain independent. We also recognise that in order for such an independent body to be appropriately engaged with the main governing body, and vice versa, careful relationship management will be required.
170. This will help ensure that the assets management functions continue to be exercised in a manner that is responsive to the needs and priorities of the Church, and that the governing body is realistic about what is possible financially. Both partners should be able to question each other constructively.
171. The GRG has discussed at length how the independent bodies might relate to the CENS Board. We have not reached a unanimous view on how this might be done. The majority of us were in favour of Memorandums of Understanding to be drawn up between the CENS and the independent bodies. However, there was a minority view on the group that MOUs would have insufficient strength and that the relations between the CENS and the bodies should be set out in legislation. As we were unable to reach a unanimous view on this point, we suggest that these and other options should be explored further at a later stage of this work.
172. We therefore make the following recommendations with regards to the governance and oversight of the Church of England's historic endowment:

Recommendations

10. The management, stewardship and oversight of the Church's historic endowment should remain the legal responsibility of the Church Commissioners

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11. Most other activities which currently fall under the governance of the Church Commissioners should move over to the new governance body.

The Church of England Pensions Board

173. The Pensions Board has not been a main area of focus in our deliberations. We have assumed that it would be an independent body in each of the initial models we presented to participants in our information gathering exercise. It should, however, be part of the thinking so we set out below some relevant facts about this NCI and its functions.
174. The Pensions Board acts as Trustee and Administrator of the various Church of England pension schemes which are regulated by the Pensions Regulator. An independent trustee board is a statutory requirement of pensions legislation. The Trustees operate the schemes and the benefit structure is set by the 'employers', which includes General Synod, acting on the advice of the Archbishops' Council's Remuneration and Conditions of Service Committee in respect of the clergy scheme. The schemes are regulated by The Pensions Regulator.
175. The Pensions Board is also the largest provider of clergy retirement housing, complemented by smaller local charities. Housing customers are all pension scheme beneficiaries. This function is regulated by the Charity Commission and, for mortgage activities, the Financial Conduct Authority. This regulatory position, and the requirement for the pension schemes to have an *independent* trustee body, underpins our starting assumption that the Pensions Board would sit outside the various models discussed in this paper.
176. We have noted that the retirement housing function could be incorporated into a single National Church body if this was felt appropriate and beneficial. The Pension and Housing staff teams could be integrated into a single staff secretariat if that was deemed to bring more simplicity. On the other hand it could be argued that, if the pensions element were to remain separate, it may be preferable for the housing element to remain separate also, given the potential benefit to beneficiaries of a one-stop-shop for pension and housing support.
177. There may also be scope to seek some degree of integration between the investment function managing the national church endowment fund and the investment function advising on the pension scheme investment strategies.
178. We believe these are questions for a later date and should not be considered priorities for change at this time. We see no justification at this time for separating out the Pensions Board's work on retirement housing. While we believe the Pensions Board should remain legally distinct, we also note that it has duties to the employers and employees and must therefore have a good and collaborative relationship with other national Church governance bodies, particularly with regard to investments. We therefore highlight again here the point above about the usefulness of a memorandum of understanding to help ensure connectedness notwithstanding independence.

Recommendation

12. The Pensions Board should continue to remain a separate independent body under the jurisdiction of the Pensions Regulator.

Statutory functions

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179. The important appellate and regulatory functions currently carried out by the Church Buildings Council, the Church Commissioners' Mission, Pastoral & Church Property Committee, and the Cathedrals Fabric Commission need particular care. It is not necessarily the case that these functions should remain exactly where they are today and, as noted above, we recommend that these different regulatory functions can helpfully be grouped together under the proposed new CENS.
180. However, while we do not consider that these functions need to be independently governed, we do underline the need for appellate functions to be carried out objectively. This is fundamental to these functions' efficiency and is a legal necessity too. As such this area requires especially clear and robust terms of reference, proper funding and care to ensure that the effectiveness of quasi-judicial appellate functions is enhanced rather than undermined by integration into a new governance structure.
181. We also note the recent enactment of the Cathedrals Measure after long and complex negotiations. The Measure contains many explicit references to the roles of the Commissioners. It would be regrettable if in reviewing the national bodies' governance arrangements we created the impression (within the Church, the Charity Commission or Parliament) that we were already seeking to sacrifice this Measure or that we have lost interest in cathedral governance.

Recommendations

13. The arrangements for the **Church Commissioners' co-regulation of cathedrals** together with the Charity Commission should continue.

National Society for the Promotion of Religious Education (the National Society)

182. The National Society promotes Church schools and Christian education. It is a separate NCI which is staffed from Church House by staff line-managed by the Archbishops' Council. The National Society's legal status is complicated by the fact that it covers Church in Wales as well as Church of England schools. The National Society has recently reconstituted itself to comprise a reduced number of governing bodies in order to improve the effectiveness of its work in the field of education.
183. Further consideration may be required at a later date to see whether the National Society's position as a separate body is optimal in the longer term, particularly given the strong links between education and young people and the Church's wider mission. Our hope is that a way can be found to integrate the National Society into the CENS structure in the future, to ensure proper integration with the whole of the Church's work with children and young people, but (as with the location of the Pensions Board housing function) this may be a matter for the longer term.

Recommendation

14. The National Society should continue to exist as separate governance body given its legal links with the Church in Wales pending further review.

Independent Safeguarding Board

184. We have not spent much time considering the governance of the Church's work on Safeguarding as this is a matter which is being considered elsewhere.

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Following the recommendations of the October 2020 IICSA report, the Church has committed itself to putting in place arrangements for the independent oversight of Safeguarding, meaning that the governance of Safeguarding should not come within the remit of the proposed CENS Board. We note this work and acknowledge that it is ongoing with many matters still to be resolved.

Recommendation

15. The oversight of the national Church's Safeguarding activities should be carried out by a separate independent body, as agreed by the Archbishops' Council in September 2020. This was before the IICSA report was published but is in support of its recommendations.

185. To summarise, the following would **not** be the responsibility of the CENS board of trustees:

- Decisions relating to the management of the historic assets/ asset allocation strategy.
- Decisions relating to the amount of Church Commissioners' endowment money to be released for expenditure.
- Responsibility for ensuring the responsible, ethical investment of the funds managed at national level.
- Responsibility for the co-regulation of English cathedrals.
 . . . which would continue to be the responsibility of the Church Commissioners
- Responsibility for the various Church of England pension schemes and the provision of clergy retirement housing, which would continue to be the responsibility of the Pensions Board;
- The National Society's specific responsibility for the promotion of church schools and Christian education, which it should retain for now but pending subsequent review.
- Oversight of the national Church's safeguarding activities, which will be the responsibility of a separate independent body currently being designed.

NOMINATIONS PROCESS FOR THE GOVERNANCE BODIES

186. There should be a consistency of approach in how the different parts of the national church recruit people, be they board and committee members (appointed or elected) or staff. This approach should ensure there is the appropriate balance of skills, experience, backgrounds and knowledge in each body to make informed decisions and the right culture and behaviours to help it to be effective.

187. The person specifications and role descriptions will differ but addressing imbalances and gaps in the diversity of backgrounds and perspectives of membership should be consistent and constant.

188. Recommended Practice 5.7 of the Charity Governance Code 2017 includes the following section:

5.7 Overseeing appointments

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5.7.1 *There is a formal, rigorous and transparent procedure to appoint new trustees to the board, which includes advertising vacancies widely.*

5.7.2 *The search for new trustees is carried out, and appointments or nominations for election are made, on merit against objective criteria and considering the benefits of diversity on the board. Regular skills audits inform the search process.*

5.7.3 *The charity considers using a nominations committee to lead the board-appointment process and to make recommendations to the board.*

5.7.4 *Trustees are appointed for an agreed length of time, subject to any applicable constitutional or statutory provisions relating to election and re-election. If a trustee has served for more than nine years, their reappointment is:*

- *subject to a particularly rigorous review and takes into account the need for progressive refreshing of the board*
- *explained in the trustees' annual report.*

5.7.5 *If a charity's governing document provides for one or more trustees to be nominated and elected by a wider membership, or elected by a wider membership after nomination or recommendation by the board, the charity supports the members to play an informed role in these processes.⁹*

189. Principle J of the July 2018 UK Corporate Governance Code states as follows:

Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management^[1]

190. In the Church of England, a significant number of appointments to governance bodies are made through the electoral process. In our view, this does not deliver what the Church needs from its governing bodies. The GRG has identified two main concerns as follows:

Skillsets

- The elections and nominations processes which populate so many of the Church's boards and committees are unable to deliver the breadth of skills, experience, backgrounds and knowledge required by modern boards, such as finance, investment management, legal, HR and charity governance experience.

Diversity

- The Church bodies which either elect or nominate people onto the Church of England's governance bodies are themselves not very diverse bodies, meaning that the people they elect or nominate onto governance bodies tend not to supply the diversity which is one of the requirements of the

⁹ <https://www.charitygovernancecode.org/en>

^[1] July 2018, *UK Corporate Governance Code*, Financial Reporting Council (FRC), p.8. Full report may be found at: [2018-UK-Corporate-Governance-Code-FINAL.pdf \(frc.org.uk\)](https://www.frc.org.uk/2018-UK-Corporate-Governance-Code-FINAL.pdf)

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Charity Commission's Seven Principles of Governance. This is a particular issue for the General Synod – not a very diverse body – yet one which has the right of nomination or election to many of the Church's main boards and committees.

- The Review Group has noted the efforts already being made in the NCIs to improve the diversity of the existing governing bodies. The current separation of the institutions encourages separate approaches (although we note that there is in reality cross-working which is beginning to produce good outcomes) where a more integrated structure would bring a consistency of approach which might be more successful in achieving greater diversity.
- The Review Group has also noted that it would be difficult for any new governance body to be as diverse as it should be - in the various senses of the word - if a new governance structure cemented the traditional reservation of place for both archbishops, at least two diocesan bishops, at least two other clergy and at least two elected lay persons – which would immediately account for a substantial proportion of the membership.
- Without compromising the necessary representation or skills requirements, a more flexible approach would be advantageous. It is vital that any governance structure should contain the right diversity of members, appointed and elected, with the necessary skills, character and church commitment, and through fair, transparent, effective and indeed credible processes.

191. We have considered the success of the Co-Operative Group's recent reforms (dating from the 2014 Myners Report) which followed the near collapse of the Co-Operative Group in 2013. Briefly, the problem which the Co-Operative Group faced was that there was no means of ensuring that individuals with the necessary skill sets were able to stand for election to their Board, meaning that the Board was ill-equipped to carry out its statutory purpose and role, to the severe detriment of the wider organisation.^[2]

192. The Myners Review quotes from another independent report into the Co-Operative collapse which states as follows:

“Failures in board oversight are inevitable if the criteria used to elect its members do not require those elected to have the necessary skills... Sustained success requires effective governance. Effective governance requires a high performing board. The composition of the Co-operative Board, and the limited pool from which its members were drawn, made a serious governance failure almost inevitable.”^[3]

193. Principle 5.7.3 of the Charities Governance Code recommends that

^[2] See “*Lord Myners Independent Governance Review*”, 7 May 2014. Link to report at: https://assets.ctfassets.net/5ywmq66472jr/3DA9s4bHUAguMmY688cAQW/b04a23c45c971098d9735c0ba7fc4159/Report_of_the_Independent_Governance_Review.pdf

^[3] Ibid. page 15, Kelly Review (paragraphs 14.10-14.11).

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The charity considers using a nominations committee to lead the board- appointment process and to make recommendations to the board.

194. The Myners Review also made the recommendation (subsequently implemented) that the Co-Op should create a Nominations Committee which would carry out a pre-screening process to 'sift' those who had the appropriate skill-sets to stand for election to the Co-Operative Board. We believe that the Church of England should do the same, and that this Nominations Committee should be one of the reduced number of sub-committees of the CENS Board, along with Risk & Audit and Finance.
195. The Nominations Committee's purpose should be to lead and oversee the process for ensuring that people get elected and appointed in a proper way to Church of England boards and committees.
196. The Nominations Committee should oversee the development of a community of appropriately skilled people with, between them, all the relevant knowledge to support the appointments to all the various governing bodies, and from which to draw recruitment panels and to sift candidates suitable to stand for election to governance bodies.
197. This community should be – and should be seen to be - a commonly owned resource. It should bring a consistency of strategy and process where currently there is a disparate and piecemeal approach to populating Church of England boards and committees. In particular, it should have as a priority to increase the diversity of membership of these boards and committees.
198. The Nominations Committee should lead the work to develop a diverse 'talent pipeline' for future membership of Church of England boards and committees. For each vacancy on a board or committee, a diverse group of individuals with the skills and experiences appropriate to the particular vacancy should be convened from this community to form a recruitment panel and run the recruitment process.
199. For an elected appointment, the nominations panel should 'sift' those wishing to stand in advance of the election in order to verify that they have the appropriate skills, knowledge, experience and behaviours to be able to perform their trustee duties responsibly and effectively. This is not an entirely new idea. Synod recently approved legislative change to allow the Pensions Board to introduce a sifting mechanism for its elected trustees. Our proposed nominations panel would build on this initiative. In carrying out this sifting process, the nominations panel should seek have in mind the aim of ensuring that the body to which they are appointing has the appropriate composition (including skills, knowledge, experience and diversity) across appointed and elected members.
200. This pre-election sifting – whilst rigorous - should not be so onerous as to remove democracy.
201. Having considered these points, our recommendations may be summarised as follows:

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Recommendation

16. The Church should establish a **Nominations Committee** to sit as one of the sub-committees of the new CENS governing Board

17. The Nominations Committee should establish a community of diverse, appropriately skilled and appropriately knowledgeable people from which panels would be convened to oversee appointments and ensure eligibility for election.

Further work required

202. As we have noted at various points above, further work is needed, by this group and others.
203. We said at the outset that cultural and leadership issues would be separated and revisited once progress had been made on structural questions.
204. We have also made clear that our thorough deliberations on the nature of episcopacy are nonetheless somewhat provisional as other work in this area is ongoing.
205. We have noted that our proposed model may enable staff to be commonly employed. We have noted that our proposed model enables staff to be commonly employed but differently governed, and that this not only provides independence where this is crucial to success, but at the same time offers greater cultural consistency and commonality of purpose and values. We believe this warrants further consideration and recognise that at a later stage it will need more detailed design work to make it a reality.
206. And we have time and time again, in our own private discussions and our consultation with a range of other people and groups, heard issues relating to the synodical system. It has not been within our remit to address these but we do place on record the compelling need for others to consider ways in which General Synod's role can be clarified and its practice improved.
207. Nonetheless, we believe the first phase of our own work has produced the outline of a credible model which we now commend to the various national decision-making bodies for further discussion. We look forward to this further engagement with them and give thanks in advance for the care and wisdom they will bring.

Conclusions

208. We offer these deliberations in an attempt to discern ways of making the Church of England's national governance the best it can be in the service of every diocese, parish, mission unit and citizen in the land. Whatever is done to the governance structures there needs to be a commitment on all sides to using them in the best way possible in order for the Church to carry out its mission to the people of England.
209. It will be for the Church's various governance bodies to consider these recommendations during the autumn and winter of 2021 – 2022. We hope to speak to how we approached this work at the inaugural meeting of the new

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General Synod in November 2021 and possibly bring the full proposals for consideration at the February 2022 group of sessions.

210. We are aware that the reception of this report will to a large extent depend on how those potentially impacted by its recommendations will feel about where they might fit into any change process and its outcomes. We fully expect responses which will range from suggestions of practical governance points to more visceral reactions which reflect different theological and ecclesiological perspectives and viewpoints about the Church's organisational culture.
211. These responses will inevitably bring up issues of **trust**. Trusting each other is not an automatic response, it is a conscious choice we must all make. We are well aware that structural changes to organisations do not alone engender cultural change. As such we should not be asking any new governance model to produce trust, collaboration or accountability where we consider those things to be currently lacking in the present Church cultures.
212. The Review Group has considered all these potential responses and recognises the enormous scope for different interpretations of our report and alternative resolutions to those we have recommended. At time of writing, it is impossible for us not to acknowledge the controversies in recent weeks regarding the Archbishops' Vision and Strategy workstream and the (erroneous) views expressed in some quarters that this is an attack on the parish system and on the precious traditions of the Church of England in rural areas.
213. We wholeheartedly support the comments made by the Archbishop of York at the July 2021 General Synod that the purpose of this vision – and the reforms it may necessitate including the ones we are recommending – is to support the Church of England's ministry at traditional parish level, as well as in any newer forms of ministry which may now be growing up. In making the recommendations we are making in this report we hope that we have helped to lighten the financial and administrative burdens falling on the local Church and enable it to flourish.
214. We would ask that whatever people feel about our recommendations, they read them generously and in a spirit of partnership and trust. As humans, we are all prone to defending our own areas of familiarity and influence. In the Church of England - as in many other organisations - we do not always trust as much as we should or collaborate as well as we could. Despite this, we take the view that the Church should seek to put in place structures that can support the creation and maintenance of such a culture. Doing so frees the people of God to behave differently as we execute our myriad tasks effectively towards our shared goal of serving the Church and the nation. This has been our aim throughout our work and we humbly reiterate it now: the job of our Review Group has not been to change the way the Church is run, but to suggest a framework for the better arrangement of national support structures so as to help empower and sustain the many faithful people up and down the land who actually run the Church.
215. In that spirit we make our recommendations and look forward to discussing them further.

GOVERNANCE REVIEW GROUP

Signed: The Governance Review Group

Rt Revd Nick Baines, Chair

Rt Revd Pete Broadbent

Mrs Mary Chapman

Mr Joseph Diwakar

Rt Revd Dr Helen-Ann Hartley (from February 2021)

Mr Martin Kingston QC

Loretta Minghella

Dame Clare Moriarty (until March 2021)

Dr Eve Poole (until January 2021)

Prof Rama Thirunamachandran

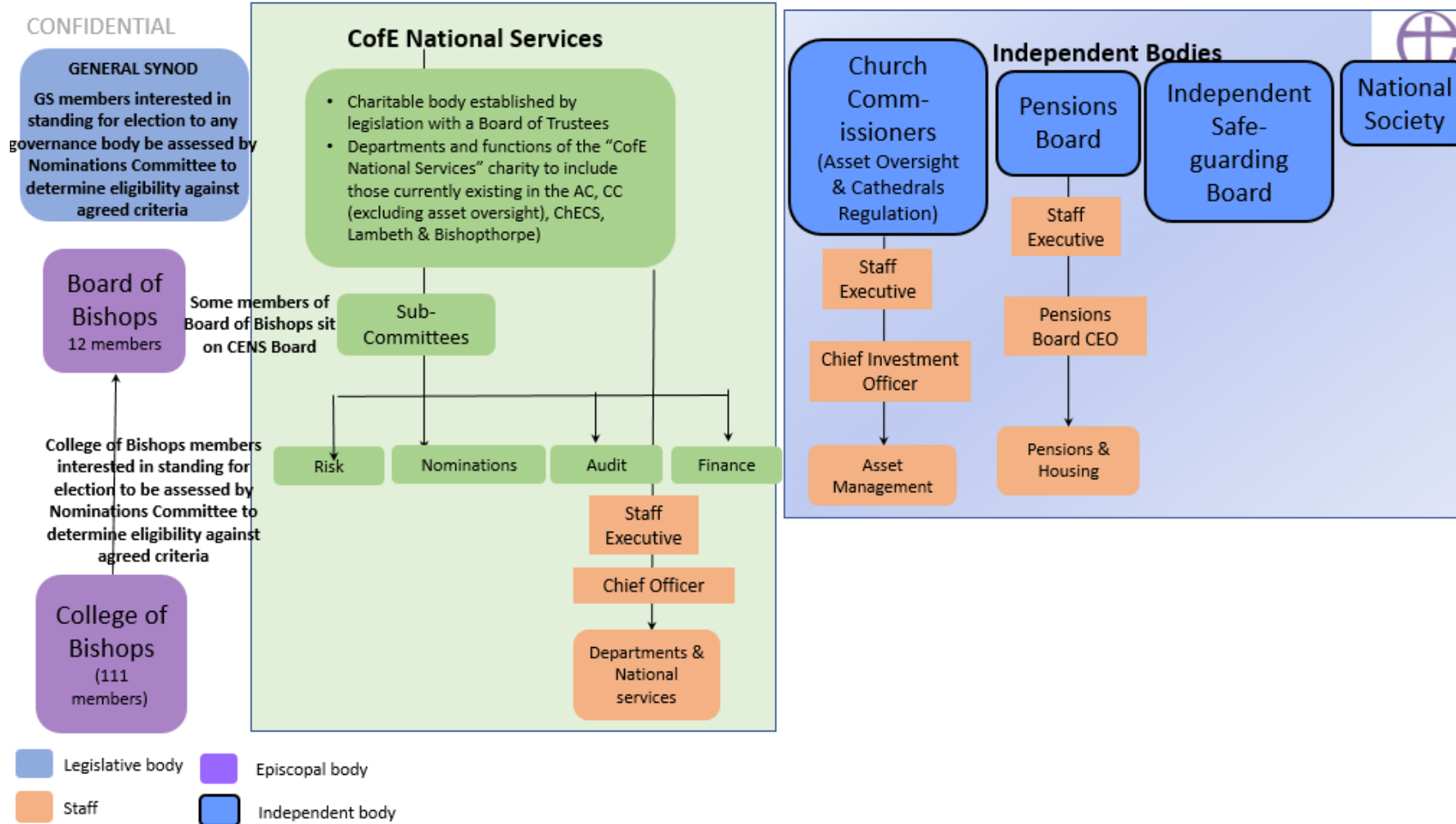
Mrs Joelle Warren

July 2021

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ANNEXE I

Governance Model Diagram



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ANNEXE II

List of those consulted in Focus Group and other Consultative Exercises

Clergy from the following regions/groupings:

- East Midlands Region
- South West and South East
- Yorkshire and the North East
- Clergy from the Estates Network
- CMEAC/AMEN
- Clergy from the Chaplains Network

Other groups and individuals consulted:

- A selection of Diocesan Secretaries and DBF Chairs
- The House of Laity Standing Committee
- House of Clergy Standing Committee
- Young Adults/CEYC Reps
- Senior Leadership Development Group: Governance Cohort
- NCI Audit Committee Chairs
- The Officers of General Synod
- The NCI Chief Officers
- ChECS Board

Existing governance bodies

- Archbishops' Council
- Church Commissioners' Board of Governors
- Church of England Pensions Board
- House of Bishops
- National Society