

Paper A4

An accounting support service for local churches

Business Committee

Basic information

Contact name and email address	Myles Dunnett, Programme Manager, Church Life Review myles.dunnett@urc.org.uk
Action required	Decision.
Draft resolution(s)	Resolution 16 Assembly instructs Resources and Church Life Fund Committees, along with relevant United Reformed Church (URC) staff, to establish an accounting support service, consisting of support for churches who can prepare their own accounts, and support for those who cannot. Resolution 17 Assembly instructs Church Life Fund Committee to give advice to the URC Trust (URCT) in relation to providing funding out of the restricted Church Life Fund for an accounting support service. Resolution 18 Assembly instructs Church Life Fund Committee to review the accounting service annually. Resolution 19 Assembly invites synods to apply to the Church Life Fund to request direct accounting support on behalf of select local churches, in cases where the church could not otherwise manage their accounts. To enable this, Assembly advises that synods maintain a list of those churches who struggle with their accounts, and refer those that require additional support after training and confidence building activities. Resolution 20a Assembly extends thanks to Small Charity Support for their willingness to support the denomination, and gratefully accepts the offer of support. Resolution 20b Assembly instructs Resources Committee to liaise with Small Charity Support, to find ways of working together to establish an accounting Adult Learning Model for the denomination.

Summary of content

Subject and aim(s)	To outline the need for accounting support, and propose a service model.
Main points	Executive Summary Many local churches struggle to manage their accounts, often due to a shortage of treasurers and/or uncertainty about the requirements. This puts pressure on volunteers, creates compliance risk, and in some cases can threaten a church's continuation. Current ad-hoc synod support is limited and unsustainable, making a structured, scalable solution essential. This paper proposes a two-tier accounting support service. Churches would be able to access tools, training, and confidence-building support (delivered with Small Charity Support Charitable Incorporated Organisation (CIO)) to manage their own accounts. Where this is not sufficient, synods could apply for time-limited professional bookkeeping support on behalf of certain churches, funded through the Church Life Fund. This balanced approach builds local capability while safeguarding compliance and sustainability.
Previous relevant documents	Paper N1, General Assembly 2023 (Resolution 49)
Consultation has taken place with...	CLR Steering Group and Sub-Committee Business Committee Resources Committee Various Synod Treasurers and finance staff Small Charity Support CIO

Summary of impact

Financial	Operation of this service will incur costs, which will be (part) funded through the Church Life Fund. There will also be a small level of cost related to expenses for Small Charity Support volunteers, who are offering their services on a pro bono basis.
External (eg ecumenical)	LEPs will be able to access the service. Small Charity Support, a CIO, are offering pro bono support, outlined in Appendix One.

1. The challenge of bookkeeping for local churches

- 1.1. It is widely known that local churches can sometimes struggle with bookkeeping. This is often linked to uncertainty about the requirements churches have to meet to comply with regulations. These challenges can sometimes place the Elders and others under considerable pressure.
- 1.2. Local churches are increasingly struggling to find treasurers, and when volunteers cannot be found, the risks to the local church can be existential. In some instances, the inability to keep accounts in order may be the deciding factor between continuation and closure. This situation is not sustainable.

- 1.3. Synods are increasingly being asked for support, highlighting the need for a denominational response. As the Church Life Review process has moved forward, accountancy has become one of the most frequently cited areas where support is needed at the local level.
- 1.4. Despite the challenge bookkeeping can present, the majority of local church accounts are not overly complex, tending to mostly be a case of tracking receipts and payments. Expert accountants may not be needed in every case, and there is the potential to help churches by giving them the tools and confidence to do their own accounts. In other cases, direct practical support will be required.

2. Current support

- 2.1. At least two synods are currently providing practical support to a handful of their local churches. In South Western Synod, for example, the Synod Treasurer is directly supporting around six local churches with their bookkeeping using Excel. This is done on a voluntary basis. Without this support, these churches would not be able to manage their accounts.
- 2.2. The challenge with this model is that it is not replicable in every synod – some Synod Treasurers and/or finance staff will not have the capacity to make this offer to their churches. Equally, even where synod officers and staff do have capacity, the offer is not scalable, and can only be successfully managed with a very small number of churches, i.e. those who are struggling most.
- 2.3. At the moment, demand is exceeding capacity. The key challenge is therefore to design a service which is scalable. The service must also be hybrid in its design, meeting the needs of churches who could do their own accounts if they had the right support, as well as those who need someone to take on the burden more directly. It is critical to note early on that, if a church outsources their bookkeeping to a high street accountant, the Elders are still ultimately responsible for their reporting – this responsibility cannot be transferred.

3. Proposed accounting support service

- 3.1. We propose to establish a two-tier accounting support service for local churches across the denomination:
 - The core provision will be structured support, so that churches can grow in confidence to manage their own accounts. Key to this is the belief that the majority of churches have the ability to handle their accounts, but lack the tools and training. The aim will be to increase the confidence of volunteers, provide suitable tools like simple spreadsheets, and train people in using them. In doing this, the URC will be supported by a CIO called Small Charity Support. The nature of this offer is detailed in Appendix One below.
 - In limited cases, if training support has failed, and if a synod believes direct access to accounting support would be of significant missional benefit to a church, synods will be able to apply for a local church to have support with bookkeeping. This will be coordinated through approved accountancy firms. Care will be taken to ensure that the

preferred accountancy firms have expertise in charity and church accounting.

- 3.2. In cases where churches are provided with access to hands-on bookkeeping support, this will be for a time-limited period. Funding from the Church Life Fund may cover up to 100% of the cost over the defined period, but this is not an automatic assumption; it may be that some churches could contribute by covering a portion of the cost depending on their ability. Over the funded period, synods should work closely with the local church, and report back to Church Life Fund Committee with outcomes regarding the success of the intervention.
- 3.3. In some cases, synods may not know whether individual churches struggle with their accounts. Likewise, churches may not inform synods that there is a problem. For this proposal to work, a greater degree of understanding between synods and local churches when there are challenges around accountancy is required. Some synods already maintain records of which churches are facing difficulties in areas like accounting; this practice would be of wider benefit. When requesting direct bookkeeping support for churches, synods should ensure that the church is generally viable, and that the support will be of wider missional benefit to the church.
- 3.4. All accounts must be prepared in accordance with charity law and the relevant accounting framework.

Appendix One: The offer from Small Charity Support (prepared by Dr Brian Seaton)

1. Small Charity Support (primarily Brian, along with other volunteers) has a decade of experience of supporting a diverse range of small charities (definition of "small charity" below) to overcome the inevitable difficulties in recording, managing and (particularly) reporting their financial activities in compliance with Charity Commission statutory guidance.
2. Small Charity Support has long argued that the widespread lack of financial confidence among charity trustees - and, hence, reliance on external sources of financial management "support" - is created primarily by the fact that Charity Financial Management Standards (based on the financial management procedures designed for the commercial sector) are Not Fit for Purpose. And Small Charity Support is not alone in that opinion (see the article "Not Fit for Purpose" on its website (<https://www.smallcharitysupport.uk/index.php/charity-thoughts>)).

Small Charity Support endorses Einstein's view that *"You can't solve problems by using the same thinking that created them"*.

3. Hence, over the last decade it has therefore developed a "proof of concept" spreadsheet which unequivocally demonstrates that traditional double-entry bookkeeping systems (although, in their time, excellent for "ink on paper" technology) are now obsolete and should be replaced by modern relational database technology which, instead, uses "tagging".

The spreadsheet has been used by a wide range of "small" charities. Such technology brings comprehensive financial recording, management and reporting within the capabilities of anyone familiar with basic spreadsheet and social media systems and requires minimal additional training. Unusually, if not uniquely, the spreadsheet can record, manage and report a charity's end-of-year Annual Accounts on both the Charity Commission's Accruals and Receipts & Payments bases (*ie*: compliant with guidance CC16 and CC17 respectively) simultaneously and "in real time".

Small Charity Support believes that such an approach does much to relieve the current reluctance of people to take on the role of Treasurer or Finance Manager (or even the role of Trustee) within their Church due to feeling (incorrectly) that it is beyond their capabilities.

4. Small Charity Support's approach is focused on developing self-sufficiency - *ie*: getting the Trustees/Treasurers/financial staff (if the charity has them) to a point where they are able confidently to perform all the necessary tasks themselves to the required standard. But recognising that further support will be necessary from time-to-time, eg: where the statutory requirements change, or the charity takes on new activities requiring unfamiliar financial procedures.

We shun the kind of "support" which is actually creating "dependency", *ie*: instead of developing self-sufficiency promotes the delegation of responsibility. That is particularly so where that "support"/"dependency" is based on financial professionals shrouding their "support" in legal/financial

jargon and procedures as a way of ensuring that the charity continues to be dependent on their "support" (and the income it generates for them).

Small Charity Support endorses the view of the Chinese philosopher Lao Tzu, 600-531BC - *"A leader is best when people barely know he exists, when his work is done, his aim fulfilled, they will say 'we did it ourselves'"*.

5. Small Charity Support has learned that charity trustees (particularly the trustees of "small" charities) often think that the role of the Independent Examiner of charity accounts is to take the charity's financial records and "knock them into shape" so that they can be signed off as compliant with the statutory standards.

That is not the case. It is the Charity's Trustees collectively, and the Treasurer in particular, who are responsible for ensuring that their charity's Annual Financial Accounts are compliant with the statutory guidance. And the Independent Examiner's statutory report confirms that explicitly.

6. That being the case, if the Trustees generally and the Treasurer particularly, are capable of recognising whether or not their own Annual Financial Accounts are compliant with the statutory guidance it is reasonable to expect that they are capable of examining the Annual Financial Accounts of another charity to check whether those Accounts are (or are not) compliant with the statutory guidance.

Small Charity Support's view is that is a key justification for why charity Treasurers should be willing to act as the Independent Examiner for another charity's Annual Financial Accounts - particularly where the other charity is of a similar nature (eg: both are URC churches) - and even more so because acting in that way is widely recognised as a good and practical way of enhancing one's own knowledge and experience in the proper management and reporting of charity accounts.

"Give a man a fish and you feed him for a day - teach a man to fish and you feed him for life"

7. Brian Seaton, the Lead Trustee of Small Charity Support has relevant experience in the Adult Learning Model (ALM) for developing the knowledge and expertise of older people who have long-since passed the stage of conventional didactic - stand in front of a class and tell them what they need to know - teaching. The ALM recognises that older learners come with a wide range of existing knowledge and experience and will therefore find some elements of a didactic class boring or irrelevant, and other parts out of context.

So learning is based on problem-solving in small groups. Those who already have some awareness of the issues enhance their understanding and experience by having to articulate that to others in the group who are unfamiliar with it. And if the problems to be solved by the group are carefully designed to highlight key issues by initially withholding key relevant data or information, the group collectively learns to recognise and articulate both the need for those data/information and the importance of collecting them in an accurate and timely manner.

8. Small Charity Support would be interested in developing such ALM activities to promote both knowledge and cohesion in compliant financial management and reporting within URC Churches. In particular, facilitating Church Treasurers being empowered - and therefore, willing - to act as Independent Examiners for other Churches in the area (although avoiding, where possible, "tit-for-tat" arrangement whereby two Churches arrange to Independent Examination each other's account, thereby creating the risk accusations of inappropriate "Conflicts of Interest".)