



# UNITED REFORMED CHURCH

## Synods and General Assembly: Combined Financial Analysis

February 2023

### Disclaimer

Please note that the contents of this document are based on the limited work undertaken and on information provided by, and representations of, the United Reformed Church staff. For the

more information, please contact the United Reformed Church staff.

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### 1. Introduction

The United Reformed Church, consolidated, and comparable financial information across its Synods and General Assembly with which to take decisions for its future.

The Church Life Review Group, General Secretary, and Chief Financial Officer, selected Moore Kingston Smith Nonprofit Advisory to develop a template to collect information focused on Synods, and then to consolidate this information for CLRG use.





## 2. Data Quality and Accounting

The data we analysed for this brief report was two-fold:

- The financial return as developed for this exercise, and completed by Synods (and Church House); cross-referenced against
- The statutory accounts for each Synod (and Church House) as filed with the Charity Commission.

Our excel template was developed as a result of several workshops with Synods, and rounds of consultation with the Steering Committee. We asked for data from 2019, 2020, 2021 and budget 2022 from Synods; to provide trend analysis.

While people had concerns as to how long this would take, they provided good quality information for 2021. For other years data was patchy, and so we took trend data from Charity Commission.

We saw a high degree of congruence and similarity in accounting once a template is provided. However, some accounting definitions will need to be ironed out for any future returns, e.g. what constitutes income from closed churches, versus assets from closed churches.

The quality of *Statutory Accounting*, i.e. reports and financial statements as submitted to the Charity Commission, is variable. SORP (the Charity Commission Standards Accounting Policies) is prescriptive as to how it asks for charities to present their information. The URC would benefit from a review of a sample of its Synod accounts and then a good practice workshop to standardise and help improve these.

Note:

The financial returns completed by the Synods are an amalgamation of Synod and Trust financial data. They are also completed using a mixture of management and statutory information so will not always tally back to the reports and accounts.

Additionally, our historic analysis of reports and accounts is made using only Synod data from their published accounts so does not include where Synods also have property and other assets held in a Trust. This means that some data, especially fixed assets and reserves, may be omitted if Synods have substantial levels of assets kept in a Trust.

Appendices 1-3 have been created using the financial returns while Appendix 4 has been created using statutory reports and accounts so will not match with Appendices 1-3.



### 3. Overall income and expenditure, aligned with Balance Sheet

The URC is an income-driven charity. It relies on large investment portfolios across the Synods, and income from property assets, to generate income with which to do its work. It then spends this money on mission, property support, grants, and overheads as well as placing money in reserves for the future.

Income and expenditure are explored in the next sections of this brief report, but a high level picture looks like Table 1 (below). This is a summary of Appendices 1-3.

Table 1: Summary 2021 Income and Expenditure

#### *Overall picture*

In summary, URC finances show a deficit in 2021 across Synods and the 1.92 reW\*ñBT/F1 11.04 Tf1 0 0 1 291.29 108.1



pension contributions which roughly cancel each other out]. It is also in a year when investment returns have been good.

In 2021, the deficit was 3.8% of the total investment assets of the URC, with 4.3% of those in Synods, compared to 2.3% of those in the General Assembly.

There are six ways to respond to this financial squeeze:

- Raise income
- Improve cost recovery on grants and any contracted services
- Start undertaking cost reduction measures
- Use restricted funds better
- Improve efficiency
- Build partnerships
- Re-





#### 4. Trends over time

Given that we only had one year of complete data for the financial return - 2021 - we looked at Charity Commission data, and OSCR data (The Scottish regulator) to pull together a picture of previous years' trends in assets and reserves set against church numbers and the active member picture for the whole of the URC.

The data is provided in Appendix 4.

Total Assets



Reserve levels  
Not all assets are







Our conversations have



If we analyse the amount spent across Synods on investment management fees, four Synods spent nothing on investment management fees in 2021 (or simply have not disclosed these in either the financial return or the statutory accounts). In the remaining Synods, investment management costs range from 0.2% of income to 5.3% of income; the average being 0.75%. A similar organisation would expect to spend 1.0%-1.5% on investment income and ensuring that these funds are managed professionally should be paramount.

In addition, there is a real risk to investment portfolios and reputation if these investments are not handled professionally.

In terms of portfolio returns, this is THE key metric for the future financial health of the URC. 2021 returns are as follows:

Total Return (**Real**





Appendix 2: Staffing levels year end 2021

Staffing levels (FTE)	Synods	General Assembly	Total
<b>MISSION Staffing</b>			
- Paid Staff (Headcount)	69.0	24.0	93.0
- Paid Staff (FTE)	39.3	21.2	60.5
- Volunteers (FTE)	31.0	0	31.0
Total Staffing (FTE)	70.3	21.2	91.5
Average per Synod (FTE)	5.4		
<b>OVERHEADS AND SUPPORT Staffing</b>			
- Paid Staff (Headcount)	87.5	34.0	121.5
- Paid Staff (FTE)	64.2	32.6	96.8
- Volunteers (FTE)	15.6	0.0	15.6
Total Staffing (FTE)	79.8	32.6	112.4
Average per Synod (FTE)	6.1		
<b>TOTAL STAFFING (FTE)</b>	<b>150.1</b>	<b>53.8</b>	<b>203.8</b>
Average per Synod (FTE)	11.5		

Appendix 3: Analysis on Balance Sheet and Reserves year end 2021

**KEY TAKEAWAYS**

**FINANCIAL STATEMENTS**

**BALANCE SHEET**

2021

	2021	2020	2019	2018	2017
<b>ASSETS</b>					
Current Assets	211,618	22,592	318,135		
Property, Plant & Equipment	61,208	11,635	43,325		
Investments	167,197	6,955	209,853		
Building Investment Properties**	72,415	3,543	15,858		
<b>LIABILITIES</b>					
Current Liabilities	211,618	22,592	318,135		
Debt					
Accounts Payable					
Accrued Expenses					
Other Current Liabilities					
<b>EQUITY</b>					
Net Assets					
Unrestricted Net Assets					
Restricted Net Assets					
<b>RESERVES</b>					
Restricted Reserves					
Unrestricted Reserves					
Operating Reserves					
Investment Reserves					
Other Reserves					

*Note: Values are in thousands of dollars.*

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Appendix 4:

Consolidated Assets and Reserves Picture 2017 - 2021 Synods and General Assembly					
	2017	2018	2019	2020	2021
	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Balance Sheet</b>					
<b>Fixed Assets</b>					
Property	90,747	92,215	98,282	103,440	106,948
Investments	172,291	168,611	195,631	204,738	237,797
Other (including investment properties)	19,993	18,627	22,633	22,539	19,523
Net Current Assets (Cash, Debtors and Creditors)	(11,525)	6,185	10,406	4,102	22,954
<b>Total Net Assets</b>	<b>271,505</b>	<b>285,637</b>	<b>326,951</b>	<b>334,819</b>	<b>387,222</b>
<b>Reserves</b>					
Restricted Reserves	80,711	80,872	87,685	90,431	105,571
General Reserves	97,998	110,320	122,644	121,765	152,000
Designated Reserves	60,190	<del>85,703</del>	80,019	84,181	85,000
Endowment Funds	32,607	31,698	36,604	38,443	43,642
<b>Total Reserves</b>	<b>271,505</b>	<b>285,637</b>	<b>326,951</b>	<b>334,819</b>	<b>387,222</b>
<b>Number of Churches</b>					
	1,383	1,354	1,331	1,284	1,242
<b>Regular Attenders</b>					
	16,092	14,400	13,275	12,750	12,220