



Charity Income **Spotlight**

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**Bi-annual
Report**

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Produced by Slack Communications for Charity Financials

Introduction



M&G Investments is delighted to sponsor this latest Charity Financials Income Spotlight Report. As established providers of income focused funds for the investment of long term endowments and reserves, we continue to understand that charities remain under increasing pressure to grow their income ahead of inflation. Ensuring that the real purchasing power of income is protected enables charities to continue to do more, and to help safeguard their future.

As is highlighted in this report, sector income as a whole is experiencing a welcome period of growth. However, with many sources of funding under increased threat, income produced from investment portfolios is playing a vital and more prominent role for many of our customers. I hope that you find the report of value.

Richard Macey, Director of Charities, M&G Investments

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Key findings

This year, the Charity Income Spotlight is pleased to report continual growth in the sector, with income reaching £71.7bn. While strong, this 5.3-point growth in the index does represent a slight slowdown from the 2014/15 period's 6.1-point increase.

This overall growth, however, continues to mask the differing experiences of larger and smaller charities. While charities in the £50m+ income bands grew their incomes by 11.5 points over the last year, at the other end of the spectrum charities in the £1m-£5m band only managed an increase of 1.7 points. With the mean average growth of the remaining income bands being 4.2 points, it is clear big charities are pulling away from the rest of the sector.

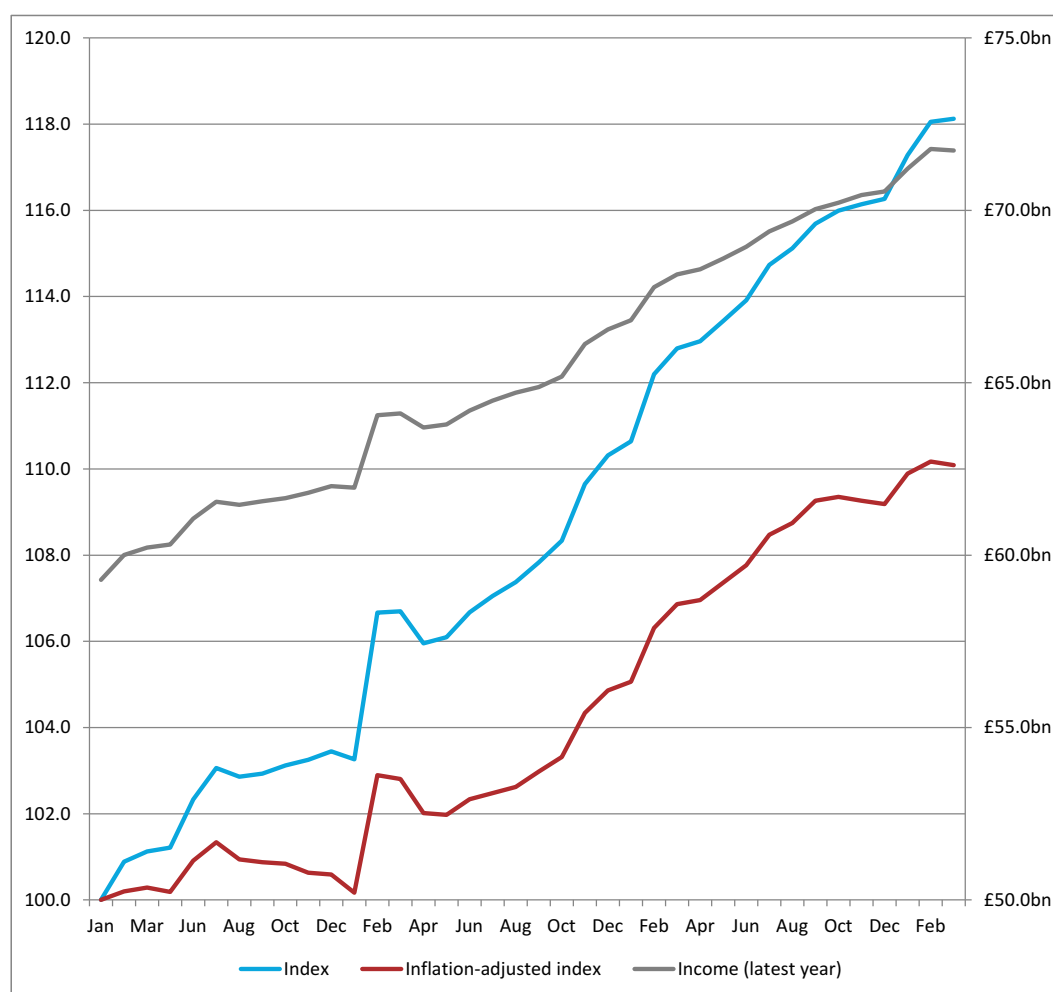
A newer trend is that some of the larger charities in the £50m+ income bracket are putting some significant distance between themselves and the others; Lloyds register, Britain's first £1bn charity, increased its income by £96.7m in the period March 2015 - March 2016.

Each of the four main income streams have had an almost equal part to play in this growth: voluntary income performed the best, up 6.7 points in the last year, but investment, trading and charitable activities income also all rose by more than 5.3 points.

Annual charity income growth rate slightly down; first fall in month-on-month value since 2014

Looking at the overall picture, the incomes of charities in the index rose by £3.6bn between March 2015/16, reaching £71.7bn or £56.5bn if adjusted for inflation. This grew the index by 5.3 points, a slight decrease on the growth from March 2014/15, which was 6.1 points; and March 2013/14, which was 5.6 points.

Figure 1: charity income index



See overleaf for the figures in the index table

Figure 2: charity income index table

Month	Number of charities with income	Income (latest year)	Inflation adjusted income	Index	Inflation-adjusted index
Jan-13	149,746	£59.3bn	£50.0bn	100	100
Feb	150,238	£60.0bn	£50.3bn	100.9	100.2
Mar	150,405	£60.2bn	£50.4bn	101.1	100.3
Apr	150,493	£60.3bn	£50.4bn	101.2	100.2
Jun	150,711	£61.1bn	£50.8bn	102.3	100.9
Jul	150,842	£61.5bn	£51.1bn	103.1	101.3
Aug	150,916	£61.5bn	£50.9bn	102.9	100.9
Sep	151,080	£61.6bn	£50.9bn	102.9	100.9
Oct	150,999	£61.6bn	£50.9bn	103.1	100.8
Nov	151,199	£61.8bn	£50.8bn	103.3	100.6
Dec	151,379	£62.0bn	£50.9bn	103.4	100.6
Jan-14	151,543	£62.0bn	£50.7bn	103.3	100.2
Feb	151,679	£64.1bn	£52.1bn	106.7	102.9
Mar	151,761	£64.1bn	£52.1bn	106.7	102.8
Apr	151,864	£63.7bn	£51.8bn	106	102
May	151,867	£63.8bn	£51.7bn	106.1	102
Jun	152,000	£64.2bn	£52.0bn	106.7	102.3
Jul	152,133	£64.5bn	£52.1bn	107.1	102.5
Aug	152,224	£64.7bn	£52.2bn	107.4	102.6
Sept	151,954	£64.9bn	£52.3bn	107.8	103
Oct	151,966	£65.2bn	£52.5bn	108.3	103.3
Nov	152,307	£66.1bn	£53.1bn	109.7	104.3
Dec	152,356	£66.5bn	£53.4bn	110.3	104.9
Jan-15	152,527	£66.8bn	£53.5bn	110.6	105.1
Feb	152,562	£67.8bn	£54.2bn	112.2	106.3
Mar	152,585	£68.1bn	£54.5bn	112.8	106.9
Apr	152,694	£68.3bn	£54.6bn	113	107
May	152,759	£68.6bn	£54.8bn	113.4	107.4
Jun	152,871	£68.9bn	£55.0bn	113.9	107.8
Jul	152,762	£69.4bn	£55.4bn	114.7	108.5
Aug	152,875	£69.7bn	£55.5bn	115.1	108.7
Sep	152,911	£70.0bn	£55.8bn	115.7	109.3
Oct	152,907	£70.2bn	£55.9bn	116	109.4
Nov	153,199	£70.4bn	£55.9bn	116.1	109.3
Dec	153,266	£70.5bn	£55.9bn	116.3	109.2
Jan-16	153,362	£71.2bn	£56.3bn	117.3	109.9
Feb	153,567	£71.8bn	£56.5bn	118.1	110.2
Mar	153,395	£71.7bn	£56.4bn	118.1	110.1

In previous years, new entrants with large incomes, such as the Lloyds Register Trust which entered at £951m, the Big Local Trust at £216m and the Canal and River Trust at £150m, had buoyed the overall growth. However, in the last six months there have been no such large charities among the 2,190 new entries; the biggest new entrant was disability charity MCHH (<http://www.mcch.org.uk/>) with an income of £38.7m. The total value of all of the new entrants was £634m.

Figure 3: top five new entrants

Charity	Income
MCCH	£38.70m
REAL LIFE OPTIONS	£36.30m
FORSTER FOUNDATION CIO	£27.30m
RNIB CHARITY	£25.10m
BARNABAS AID INTERNATIONAL	£23.30m

This slight overall slowdown in the rate of growth is exemplified by the fact that from February-March 2016 overall income actually dropped by £0.1bn, the first month-on-month drop since March-April 2014. In this latter situation, growth began again immediately, however it remains to be seen if that will be the case this time.

Looking at this drop in overall income in February-March 2016 through the lens of the different income bands, we can see that it is confined to either end of the income spectrum. Charities from £1m-£10m all grew their incomes in this period. Meanwhile, charities with incomes below £1m saw their incomes fall by £4.6m during this period. The main decrease was experienced by those charities at the top of the table. Here, income fell by £106m between February-March 2016, accounting for almost the entire drop that month.

Figure 4: charity income overtime

Month	Number of organisations	Income		Inflation-adjusted income (base Jan 13)			
		In most recent accounts (£bn)	Six-month change (%)	Annual change (%)	In most recent accounts (£bn)	Six-month change (%)	Annual change (%)
Jan-13	149,746	£59.3			£50.0		
Mar-13	150,405	£60.2			£50.4		
Sep-13	151,080	£61.6	2.2		£50.9	1.0	
Mar-14	151,761	£64.1	4.1	6.5	£52.1	2.4	3.4
Sep-14	151,954	£64.9	1.2	5.4	£52.3	0.3	2.7
Mar-15	152,585	£68.1	5.0	6.3	£54.5	4.2	4.5
Sep-15	152,911	£70.0	2.8	8.0	£55.8	2.5	6.8
Mar-16	153,395	£71.7	2.4	5.2	£56.4	1.0	3.5

Winners and losers among the big charities

Of the current top 20 charities by income, five have dropped at least one place from their previous rank. These are: Cancer Research UK; Cardiff University; Barnardos; CITB and The Girls' Day School Trust. In two of the cases (Cardiff University and Barnardo's), this represented a slowdown in growth but in the remaining three, incomes have fallen.

In the case of the Girls' Day School Trust, its income fell by £19.6m in its most recent accounts. Speaking to Charity Financials about this, a spokesperson explained the data represents an unusual year for the charity:

"2014 was a somewhat anomalous year for the GDST, as our incoming resources included the value of Northwood College, which was acquired during the year, as well as income from the sale of several properties. This leads to the impression that our income then fell between 2014 and 2015, whereas our fees income - which accounts for over 85 per cent of our total incoming resources - actually rose from £212.1m to £219.7m."

Another apparent income decrease was at Cancer Research UK, where income fell by £30.6m. Much like the Girls' Days School Trust, this was actually as the result of not one but two previous windfall years. In the year to 31st March 2014, there was exceptional income of £76m from the sale of a property. And then in 2014/15, there was exceptional income from the closure of the pension scheme. Putting the two together, Cancer Research UK calculates that the income from pre-exceptional items moved from £589.5m to £620.8m, and their fundraising income for the year 2014/15 was £522m, an increase on 2013/14 of 7%.

As the charity's annual report states: "Income from fundraising increased by 7% to £522 million (2014: £490 million). Our main income stream continues to be from legacies, which grew 4% due to increases in the underlying value of individual legacies. Income raised for the Crick appeal ('Create The Change') was £27 million (2014: £8 million), including a \$25 million donation from HSBC."

Figure 5: biggest decreases

Charity	Most recent income (£m)	Change on previous year (£m)	Percentage Change
SHEFFIELD CITY TRUST	£48.1m	−£114.7m	−70%
BET365 FOUNDATION	£11.1m	−£94.3m	−89%
THE CHILDWICK TRUST	£2.1m	−£77.9m	−97%
HOSPICE UK	£6.4m	−£60.1m	−90%
THE ABERDEEN FOUNDATION	£1.0m	−£60.0m	−100%
THE ENERGY SAVING TRUST FOUNDATION	£0.0m	−£55.0m	−100%
MONDAY CHARITABLE TRUST	£2.2m	−£54.8m	−96%
THE MOTABILITY TENTH ANNIVERSARY TRUST	£4.8m	−£49.6m	−91%
THE STOLLER CHARITABLE TRUST	£2.0m	−£45.4m	−96%
KURDISTAN CHILDREN'S HOSPITAL FOUNDATION	£38.6m	−£38.4m	−100%

Elsewhere, other charities experienced positive income trends. The Oasis Charitable Trust, for example, burst into the top 20 charities by income via a phenomenal 69.5% increase in their income, taking them from £160.3m to £271.7m.

The next biggest winner in the top 20, proportionally, was the Wellcome Trust. Its investment strategy, which contributes 88.6% of their income, contributed to overall growth of 20% or £56.4m. Its strong portfolio has enabled the charity to maintain a positive flow of income having provided cumulative returns of 92% since the financial crisis of 2008 and adding value of more than £10bn over this time.

Motability, the charity that provides adapted cars and scooters for disabled people, reported income of £181m, an increase of 516%. This huge increase is solely the result of the £150m payment it received to deliver the one-off transitional package of support for disabled people who will no longer be eligible for the Motability Scheme, following their reassessment for Personal Independence Payment (PIP), which was introduced by the Chancellor in the Spring 2016 Budget.

Figure 6: biggest increases

Charity	Most recent income (£m)	Change on previous year (£m)	Percentage Change
MOTABILITY	£182.0m	£152.4m	516%
OASIS CHARITABLE TRUST	£271.7m	£111.3m	69%
THE BRITISH COUNCIL	£972.9m	£108.5m	12%
SAVE THE CHILDREN INTERNATIONAL	£656.8m	£97.7m	17%
LLOYD'S REGISTER FOUNDATION	£1048.1m	£96.7m	10%
THE ENGLISH HERITAGE TRUST	£81.4m	£79.8m	5,413%
REACH2 LIMITED	£138.7m	£73.2m	111%
UNIVERSITY OF WALES:TRINITY SAINT DAVID	£104.6m	£73.1m	205%
WELLCOME TRUST	£438.7m	£56.4m	20%
BRIDGE HOUSE ESTATES	£92.6m	£40.9m	126%

In addition to those charities experiencing percentage growth, there are a number of organisations that have experienced large increases in the total amount of income generated. One such charity is Lloyds Register Foundation. Launched in 2014 and Britain's first £1bn charity, it increased its income by £96.7m (10.1%), contributing to a total value of £1.04bn. Such an increase means Lloyds Register Foundation continues to dominate the top ten, closely followed by its nearest rivals, the British Council, which comes in second with £972m following an increase of £108m (12%), and the Arts Council England, which has an overall income of £724m – an increase of £30.1m (4.3%).

Size remains a factor

The growing gap between the incomes of “top 1%” of the biggest charities and the rest of the top 20 continues to be a matter of concern for some commentators, who bemoan how their extensive resources skews the overall picture of the sector and often puts these charities at an unfair advantage when it comes to brand profile, ability to invest in skills, income generation and other areas etc.

Figure 7: 20 largest charities by income

Charity	Rank	Previous ranking	Most recent income (£m)	Percentage Change
LLOYD'S REGISTER FOUNDATION	1	1	£1,048.1m	10.2%
THE BRITISH COUNCIL	2	2	£972.8m	12.6%
THE ARTS COUNCIL OF ENGLAND	3	3	£724.8m	4.3%
NUFFIELD HEALTH	4	5	£711.1m	7.5%
SAVE THE CHILDREN INTERNATIONAL	5	6	£656.8m	17.5%
CANCER RESEARCH UK	6	4	£634.8m	-4.6%
INTEREST OR NATURAL BEAUTY	7	7	£494.1m	7.3%
THE CHARITIES AID FOUNDATION	8	9	£466.9m	11.6%
CARDIFF UNIVERSITY	9	8	£455.7m	4.6%
OXFAM	10	10	£401.4m	3.2%
THE SAVE THE CHILDREN FUND	11	11	£370.2m	8.1%
UNITED CHURCH SCHOOLS FOUNDATION LTD	12	12	£359.1m	11.3%
WELLCOME TRUST	13	14	£337.9m	20.1%
BARNARDO'S	14	13	£295.0m	3.2%
BRITISH HEART FOUNDATION	15	15	£288.8m	4.8%
OASIS CHARITABLE TRUST	16	39	£271.7m	69.5%
ANCHOR TRUST	17	18	£269.8m	0.6%
CITB	18	17	£263.9m	-3.5%
THE BRITISH RED CROSS SOCIETY	19	19	£261.8m	14.6%
THE GIRLS' DAY SCHOOL TRUST	20	16	£254.0m	-7.2%

Indeed, current figures reflect the financial strength of the larger charities, which are experiencing much larger cash gains than elsewhere in the sector – even among those charities reporting larger proportional growth. For instance, the top charities' incomes are increasing by hundreds of millions of pounds compared to hundreds of thousands of pounds among the smaller charities. Even within the top 20, most increases are in the single or double digit millions, whilst the top two charities are at £100m increase.

The indexed growth of the 'premier league' of charities - those with incomes of £50m or more - was 11.5 points in 2015-16, compared to a mean average growth of the remaining income bands of 4.2 index points (with the highest being 6.8 points in the £5m-£10m band and the lowest 1.7 points in the £1m-£5m band).

Compare this to the data from 2014-15 where growth among the largest charities was 10.3 points compared to a mean average growth of the remaining income bands of 3.6 points and it seems that not only is their overall growth bigger but so too is their relative rate of growth.

Figure 8: income index increases, by income band - table

Income band	Number of charities	Total income (£bn)	Index value at March 16
£50m+	172	£24.2bn	139.3
£10m-£50m	1,006	£19.9bn	119.9
£5m-£10m	1,014	£7.2bn	113.4
£1m-£5m	4,865	£10.5bn	108.5
£0.5m-£1m	4,043	£2.9bn	107.8
£1-£0.5m	142,295	£7.1bn	106.7

Figure 9: income index increases, by income band - graph

Month	Income bands					
	£50m+	£10m-£50m	£5m-£10m	£1m-£5m	£0.5m-£1m	£1-£0.5m
Sep-13	4.1	2.3	-0.5	2.0	-0.9	1.2
Mar-14	9.1	1.5	5.7	0.6	2.8	1.3
Sep-14	2	3.8	2.9	0.7	1.3	0.5
Mar-15	6.7	5.4	-2.0	3.0	0.9	1.2
Sep-15	6.7	5.4	-2	3	0.9	1.2
Mar-16	2.4	2.5	5.5	1.3	2.6	0.9

Income streams: consistent growth and the continued importance of trading income

This year's data on the different ways in which charities generate income shows consistency, in regards to both the growth experienced within each income stream and the reliance charities place on the individual sources.

The amount generated by charitable activities totalled £33.8bn and was responsible for 53% of income overall. It is also noteworthy that despite fears about a reduction in statutory funding sources, the proportion of income that comes from charitable activities has only decreased by 2% since 2013.

Similarly, concerns that the recent fundraising scandals would impact on the amount of voluntary income as yet appear unfounded. The total amount raised in this stream was £18.6bn – an increase of 5.9 index points on last year. Equally it accounts for 29% of income, down just 1% over the last three years. However, many charities may still be counting the cost of the negative coverage, and, particularly as the impact of the new fundraising preference service begins to be felt, future Income Spotlights may tell a different story.

The third largest income source is fundraising trading income, which stands at £6.1bn. The prominence of this source is perhaps the result of charities looking to diversify their income streams and counter potential negative reactions to particular fundraising techniques, which are proving increasingly unpopular among the public. Income from this source, which includes charity shops, now contributes 10% of overall income – a growth of 3% since 2013. However, while growth in this area continues, the rate of growth has slowed – in 2013-14 it experienced an increase of 34.5 index points, compared to an increase of 5.8 index points in 2015-16.

Finally, investment income contributed £3bn in 2015-16 – equating to 5 per cent of the total income. While the amount of income generated has increased by 22.6 index points, the proportion of overall income it comprises has remained consistent over this period.

Figure 10: index by income stream – graph

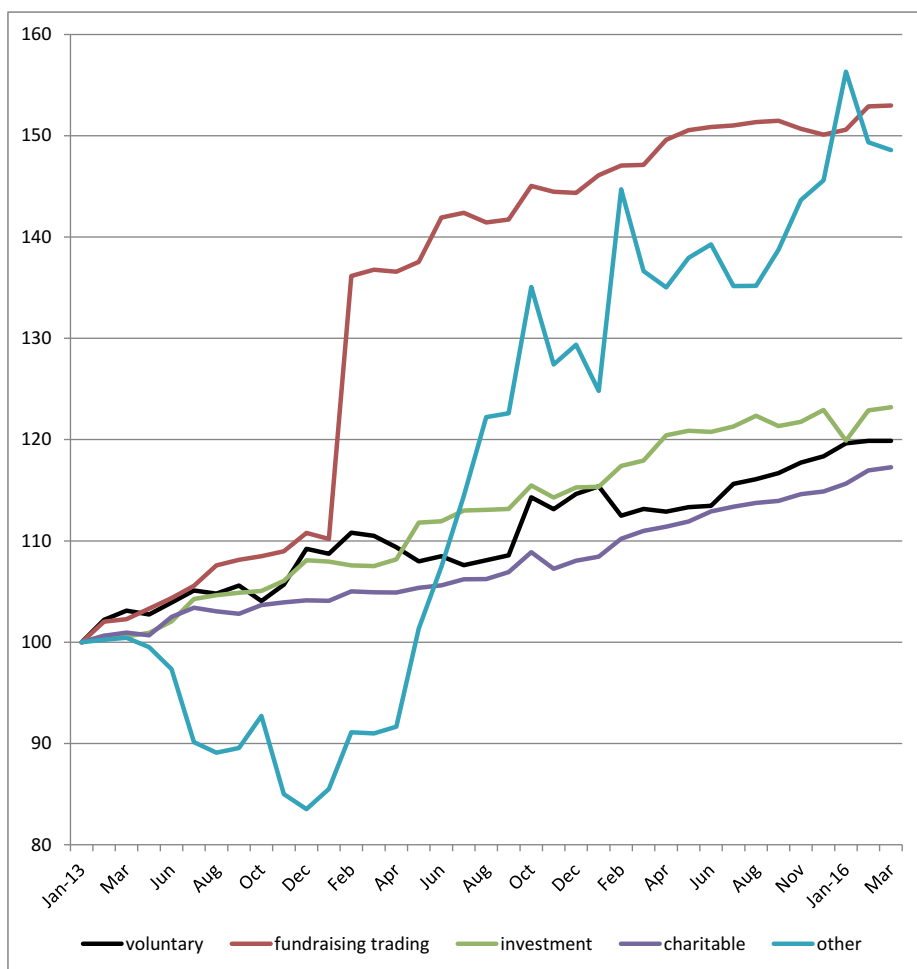


Figure 11: values by income stream – graph

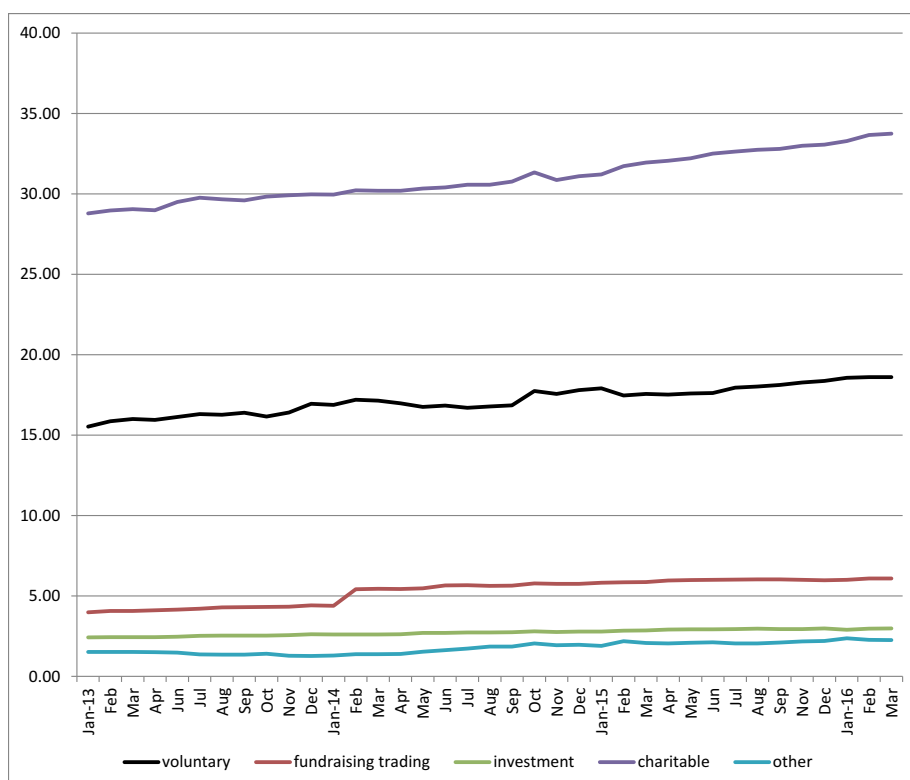


Figure 12: proportion from each income stream in Jan 13 – pie chart

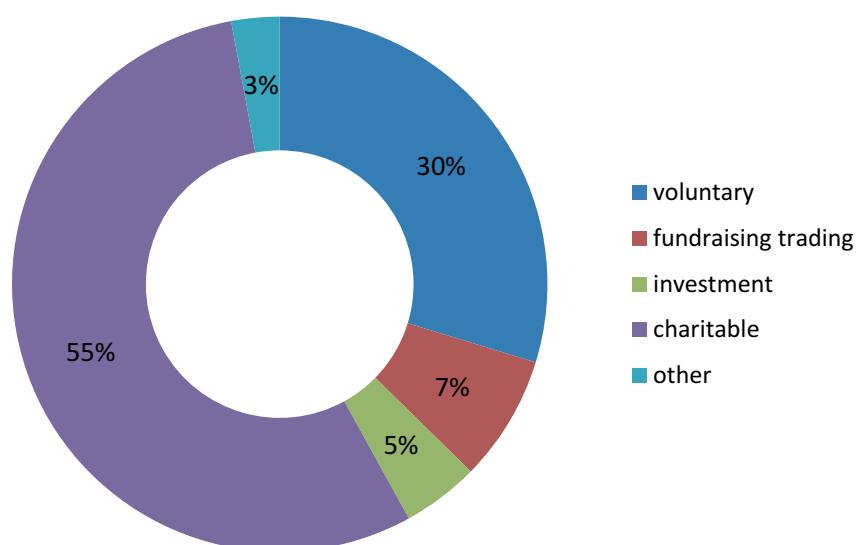


Figure 13: proportion from each income stream in Mar 16 – pie chart

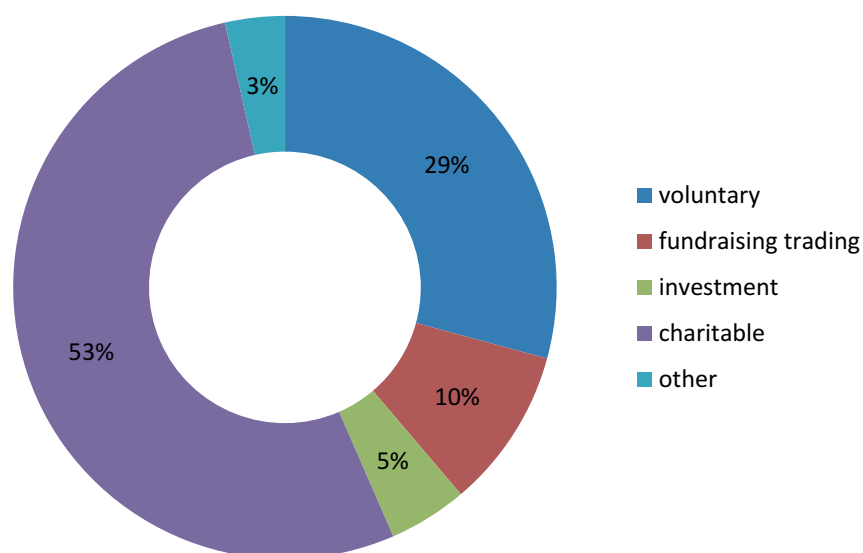


Figure 14: income streams – annual and six monthly changes

Income stream	Total (£bn)	Index value at Mar 16	Six month change	Six month change previous year equivalent	Annual change	Annual change previous year equivalent
Voluntary income	£18.1bn	119.9	2.7	4.2	5.9	2.4
Fundraising trading	£6.1bn	153	1	3.8	4	7.6
Investment income	£3.0bn	123.2	1.5	4.2	4.5	9.7
Charitable activities	£33.8bn	117.3	2.9	3.8	5.6	5.8
Other	£2.3bn	148.6	7.1	11.5	8.7	50.2

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