

# Income falls by 81 per cent at Lloyd's Register Foundation as trading group cuts funding

**Diane Sim** reports on the reasons for a downturn in the Charity 250 Index and takes a closer look at the representation of grantmaking foundations in the indexes.

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A KEY contributor to the decline in the haysmacintyre / *Charity Finance* 250 Index in the second quarter of 2018 is the 81 per cent fall in income to £10.3m reported by the Lloyd's Register Foundation.

The fall resulted from a near 100 per cent fall in Gift Aid from its trading subsidiary, Lloyd's Register Group, from £43.9m to £0.06m. According to the trustees, the £43.9m figure reflected "a particularly strong UK profit performance in 2015-16, which was not repeated".

As the foundation holds sufficient funds to continue its immediate grant-making activity, the trustees have decided that profits generated by the trading subsidiary in 2016-17 should be reinvested to secure long-term growth and increased profitability in the future rather than paid to the foundation as Gift Aid.

Large double-digit falls in income were also reported by the Against Malaria Foundation and Business in the Community (BITC).

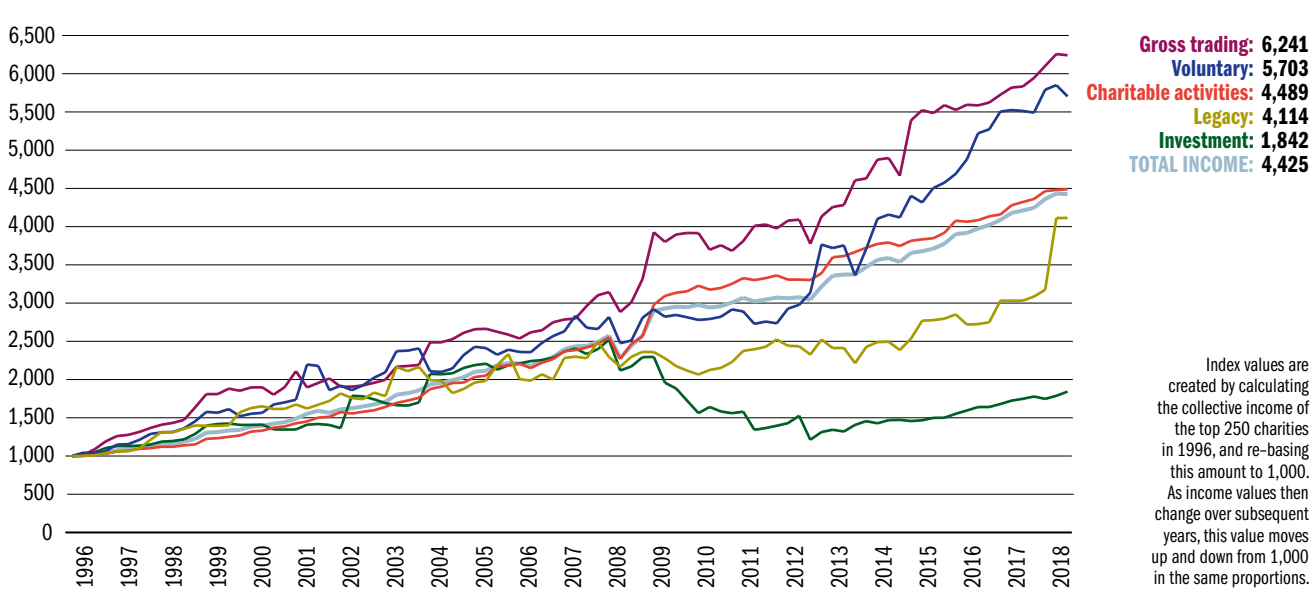
The Against Malaria Foundation reported a 28 per cent fall in income to £26.1m, resulting largely from a £12.6m reduction in the value of £0.75m-plus donations. On the plus

side, the value of funding generated by donations of less than £0.75m increased by 20 per cent, while the overall number of donations increased by 13 per cent.

BITC saw its income fall by 25 per cent to £19.8m, largely as a result of the transfer of the Prince's Countryside Fund and its trading subsidiary Countryside Fund Trading to the Prince of Wales Charities Foundation at 1 July 2017.

Conversely, large double-digit rises in income were reported by the Mines Advisory Group, Charities Trust and HCT Group. The biggest increase was reported by the Mines Advisory Group, which saw its income increase by 30 per cent to £60.9m. The rise resulted from increased programming activity, funded by grants and contracts, in Syria, Iraq, South Sudan, Chad, Nigeria and Bosnia.

**CHARITY 250 INDEX SINCE 1996**



## GRANTMAKING CHARITIES

Within the Charity 100 and Charity 250 Indexes, there are more than 20 grantmaking trusts or foundations which raise funds to donate to other charities that are more directly involved in service provision. They range from the Wellcome Trust, with annual income of £484.8m, to the Lloyd's Register Foundation, which has an annual income of £10.3m.

Although they share a common remit, there are a broad range of types of foundation. They include family or family business foundations, such as the Gatsby Charitable Trust, set up by David Sainsbury, and the Leverhulme Trust, set up by William Hesketh Lever, the founder of Lever Brothers.

They also include corporate foundations such as the Lloyds Bank Foundation and the Lloyd's Register Foundation, along with fundraisers such as Charity Projects (Comic Relief) and BBC Children in Need.

Investment and voluntary income are the two main sources of income for this segment. Investment income accounts for more than 80 per cent

## CHARITY 250 INDEX: PERFORMANCE AT A GLANCE

The haysmacintyre / *Charity Finance* 250 Index performed below expectation in the second quarter of 2018, missing its average quarterly rise by 10 points.

The worst-performing income stream was voluntary income, which undershot its quarterly benchmark by 191 points. The main contributor to this was a 99.9 per cent fall in voluntary income from £43.9m to £0.06m reported by Lloyd's Register Foundation. Legacy and trading income also fell short of their quarterly benchmarks by 8 points and 4 points respectively.

On the plus side, investment income outperformed its quarterly benchmark by 60 points, spurred by strong growth at the Garfield Weston Foundation. Income from charitable activities also beat its quarterly benchmark by 11 points, aided by double-digit increases at HCT Group and Mines Advisory Group.

	Index total	Legacy	Voluntary	Charitable activities	Investment	Gross trading
Index value	4,425	4,114	5,703	4,489	1,842	6,241
Points growth in last quarter	-7	1	-147	9	55	-16
Average quarter two points growth	3	9	44	-2	-5	-12
Points growth in last year	215	1,082	190	167	95	408
Average yearly points growth	152	97	213	158	35	229

of income at the Wellcome Trust, the Children's Investment Fund Foundation (UK), the Leverhulme Trust, the Garfield Weston Foundation and Bridge House Estates.

Voluntary income accounts for

over 80 per cent of income at BBC Children in Need, Comic Relief, the Gatsby Charitable Foundation, the Lloyds Bank Foundation, the Amanat Charity Trust, Lempriere Pringle 2015 and the Allchurches Trust.

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Income streams can be more mixed, as they are for example at the Rothschild Foundation, which generates 40 per cent from trading, 31 per cent from investment income, 19 per cent from voluntary sources and 10 per cent from charitable activities. This is not, however, typical.

The sector as a whole is fairly buoyant. According to the Association of Charitable Foundations (ACF), grantmaking by the top 300 foundations rose by 10.9 per cent in real terms in 2016-17 to a record-breaking £3.3bn, accounting for 90 per cent of all foundation giving.

Underpinning the rise in grantmaking was a 9.6 per cent real

increase in total income to £3.7bn in 2016-17. Income from both investment and voluntary streams increased strongly at 10.7 per cent and 10.3 per cent respectively.

“ The volume of grant applications is growing ”

In the face of pressures on other sources of income – particularly government funding – demands on grantmakers are also increasing. “In the current economic climate,

the volume of grant applications is growing and many grantmakers are taking steps to streamline the process by making funding criteria and the application process as clear as possible to new applicants, often via online tools and videos,” says haysmacintyre senior audit manager Siobhan Holmes.

“At the same time, grantmakers are keen to demonstrate that they are spending their money responsibly,” she adds. “This can be quite challenging as they need to report not only on how they have allocated their funding but also on what recipients have done with it. We are seeing much greater emphasis on impact reporting as a result.” ●

CHARITY 250 INDEX LATEST ANNUAL ACCOUNTS (% CHANGE ON PREVIOUS RESULTS IN RED)

Charity name	Year end	Legacies £'000	Voluntary £'000	Charitable activities £'000	Investment £'000	Gross trading £'000	Total income £'000
HCT Group <sup>1</sup>	01 Apr 18			63,188 (+27)			63,188 (+27)
Royal Voluntary Service <sup>2</sup>	01 Apr 18	297 (+57)	9,239 (+37)	54,839 (-4)	398 (-11)		64,773 (0)
Garfield Weston Foundation	05 Apr 18				73,839 (+12)		73,839 (+12)
Charities Trust	30 Apr 18		51,952 (+29)	1,517 (+14)	490 (+25)		53,959 (+28)
Ulster Independent Clinic	30 Apr 18		28,114 (+4)		39 (+8)		28,153 (+4)
Zoological Society of London	30 Apr 18		4,445 (-6)	49,994 (0)	107 (-31)	11,051 (+18)	65,597 (+2)
Disabilities Trust	31 May 18	22 (-60)	102 (-51)	52,943 (-5)	855 (-2)		53,922 (-6)
Football Foundation	31 May 18			57,884 (-15)	106 (+74)	595 (+4)	58,585 (-14)
Against Malaria Foundation	30 Jun 18		25,360 (-29)		742 (+108)		26,102 (-28)
BBC Children in Need	30 Jun 18	1,517 (-4)	60,474 (-1)	117 (0)	1,145 (+25)	3,377 (+6)	66,630 (0)
Business in the Community	30 Jun 18		4,437 (-22)	15,401 (-25)	8 (-50)		19,846 (-25)
Chartered Institute of Personnel & Development	30 Jun 18			26,734 (+8)	219 (-12)	10,347 (-31)	37,300 (-7)
Compassion UK Christian Child Development	30 Jun 18	221 (-15)	6,329 (+8)	35,038 (+4)	10 (-29)		41,598 (+4)
Crisis UK	30 Jun 18	1,133 (+7)	31,207 (+16)	6,222 (+13)	61 (-14)	2,189 (+37)	40,812 (+16)
Harpur Trust	30 Jun 18		113 (-32)	51,752 (+4)	2,552 (+6)		54,417 (+4)
Horder Healthcare	30 Jun 18		56 (-57)	28,236 (-6)	204 (+20)	1,393 (+7)	29,889 (-6)
Lloyd's Register Foundation	30 Jun 18		60 (-99)		10,244 (+4)		10,304 (-81)
Mines Advisory Group	30 Jun 18	32 (+129)	609 (+37)	60,086 (+30)	13 (-46)	132 (+103)	60,872 (+30)
National Centre for Social Research	30 Jun 18			33,356 (+1)	5 (+67)		33,361 (+1)
Rhodes Trust – Public Purposes Fund	30 Jun 18		22,369 (-4)	1,362 (+86)	9,511 (+14)	521 (+2)	33,763 (+2)
Royal College of Surgeons	30 Jun 18		832 (+576)	28,250 (-8)	2,335 (-2)		31,417 (-6)
Rugby Football Foundation	30 Jun 18		14 (-78)	30,083 (0)		362 (-34)	30,459 (-1)
Rugby School	30 Jun 18		1,439 (-31)	26,927 (+1)	5,680 (+7)	1,545 (+33)	35,591 (+1)
Sherborne School	30 Jun 18		153 (-56)	23,400 (0)	360 (+1)	1,305 (+10)	25,218 (0)
Tonbridge School	30 Jun 18		3,079 (-18)	26,295 (+3)	117 (+5)	2,414 (+2)	31,905 (+1)
United Westminster Schools Foundation	30 Jun 18		253 (+549)	30,713 (+6)	670 (+54)		31,636 (+7)
Westminster School	30 Jun 18		1,955 (-25)	27,295 (+4)	1,159 (+9)	143 (+8)	30,552 (+2)
Marlborough College <sup>3</sup>	31 Aug 18		3,032 (+749)	45,856 (-7)	574 (+52)	1,422 (+17)	50,884 (-1)

(1) Financial year end changed from 31 March 2017 to 1 April 2018. (2) Financial year end change from 26 March 2017 to 1 April 2018. (3) Financial year end changed from 30 June 2018 to 31 August 2018.

ABOUT THE CHARITY INDEXES

For further information on how the haysmacintyre / Charity Finance Indexes are compiled, please see <https://goo.gl/srZfLk>

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