

Kew Gardens in full bloom, while Scope refocuses its activities

Diane Sim reports on a slowdown in the progress of the Charity 100 Index and takes a closer look at the challenges faced by charities with an international remit.

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THE TOP performing charity in this month's review of the haysmacintyre / Charity Finance 100 Index is Royal Botanic Gardens, Kew (RBG Kew), which reports a 43 per cent increase in income to £111.7m in the financial year ending 31 March 2018. The increase derives from a number of sources: grant in aid from the Department for Environment, Food & Rural Affairs (Defra) increased by 24 per cent to £40.8m, while grants and donations from other sources increased by 34 per cent to £31.2m and trading income increased by 15 per cent to £12.3m.

The most significant contributor to the increase, however, is the restructuring of the Foundation and Friends of the Royal Botanic Gardens, Kew (Kew Foundation), an independent charity established in 1900

“Scope has become a ‘voluntary-funded organisation’”

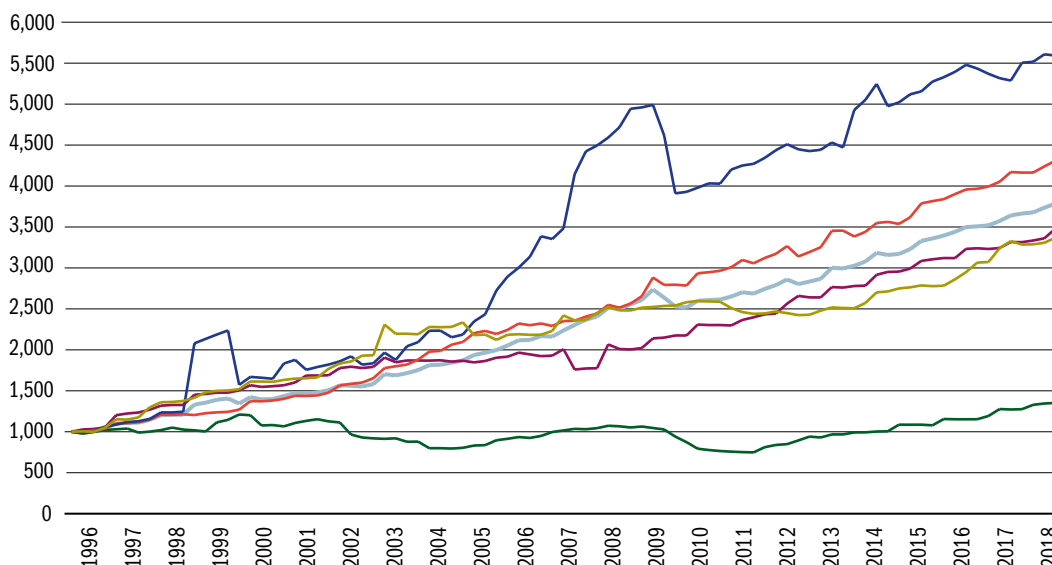
to raise funds for RBG Kew. On 1 July 2017, the majority of Kew Foundation's fundraising activity transferred into RBG Kew Enterprises, the wholly owned trading subsidiary of RBG, Kew. As well as transferring £4.4m

of fundraising income and £3.4m of corporate membership income, the restructuring also resulted in a gain of £11m, reflecting the transfer of a 40 per cent share of the net assets of Kew Foundation to RBG Kew.

Conversely, the charity which reported the largest decrease in income in the period under review is Scope, which posted a 48 per cent fall in total income to £44.9m in the year to 31 March 2018. This excludes gains from asset sales, which are not recognised for the purposes of calculating the Index.

As in the case of RBG Kew, the decrease largely reflects the restructuring of Scope's activities. Described by Scope's chair Andrew McDonald as a “transformational year”, 2017/18 saw the transfer of Scope's regulated and day services to private company Saltem Healthcare. The transfer, which took place in April 2018, involved 51 services (including

CHARITY 100 INDEX SINCE 1996



Voluntary: 5,592
Charitable activities: 4,310
Gross trading: 3,482
Legacy: 3,371
Investment: 1,352
TOTAL INCOME: 3,787

Index values are created by calculating the collective income of the top 100 charities in 1996, and re-basing this amount to 1,000. As income values then change over subsequent years, this value moves up and down from 1,000 in the same proportions.

three specialist schools, 38 care homes and ten day services) used by over 1,000 clients and around 1,300 staff.

The move is part of Scope’s five-year Everyday Equality strategy, which aims to evolve the charity from a service provider to a social change organisation, campaigning for the rights of all disabled people. With the transfer of services that are primarily funded through local authority commissioning, Scope has become, according to its trustees, a “voluntary-funded organisation”.

Fee income fell from £39.8m to £0.3m in the year to 31 March 2018, while income from donations and legacies fell by 4 per cent to £17.1m and trading income fell by 1 per cent to £22.8m.

INTERNATIONAL CHARITIES

As the 29 March 2019 deadline for the UK’s exit from the European Union under the terms of Article 50 fast approaches, it is timely to consider the likely impact of Brexit on charities which operate across borders.

Across the Charity 100 and Charity 250 Indexes, there are 42 UK-registered charities which have an explicit international remit. In terms of size they range from Oxfam with annual income of £417.3m to Goldman Sachs Gives (UK) with annual income of £22.7m.

Just over a quarter of international charities in the Indexes explicitly consider the challenges posed by Brexit in their annual report. Whilst this may seem low, it is clear that

Brexit still has a significant bearing on broader issues listed such as access to funding and staff recruitment and retention. “It is the uncertainty around Brexit that makes it difficult for organisations to identify the UK’s exit from the European Union as a risk in its own right and to be clear about their risk mitigation strategies,” says haysmacintyre partner Murtaza Jessa.

Continued access to the estimated £260m pool of EU funding is of course a key concern. Some of the larger charities plan to retain access to EU funding sources via affiliates in EU states. Christian Aid, for example, is preparing to access EU funding via Christian Aid Ireland, whilst International Rescue Committee UK is planning to manage its Framework Partnership Agreement with ECHO from IRC’s German office.

Other international charities in the Indexes are looking to set up affiliates in EU jurisdictions. These include International Medical Corps (UK), Mercy Corps Europe and Relief International, the latter of which is also looking at the possibility of forming an alliance with an existing European NGO.

Another Brexit-related issue highlighted by international charities in the Indexes is exchange rate risk. Since the EU Referendum in June 2016, many charities have felt the negative impact of the weak pound on overseas programme finances, which are usually pegged to the US dollar. “Large charities have generally managed currency risk quite well, whilst mid-sized charities have got a lot better at it over the last couple of years,” comments Jessa.

A case in point is Sightsavers International, which approved a new treasury policy in October 2017. This involves cash flow forecasts prepared on a rolling three-month basis, rather than a rolling 12-month basis as in the previous policy, and greater use of currency brokers to support international transfers.

The UK government has sought to reassure charities that are worried about the loss of EU funding and the security of EU workers after Brexit but there are no grounds for complacency.

“Replacement funding from the UK government for EU funded

LARGEST INTERNATIONAL CHARITIES IN THE CHARITY 100 AND CHARITY 250 INDEXES

Charity name	Year end	Total income £'000	Change on previous year
Oxfam	31 Mar 18	417,300	+5
Save the Children	31 Dec 17	401,756	+1
Marie Stopes International	31 Dec 17	283,802	+1
British Red Cross Society	31 Dec 17	280,600	+14
International Rescue Committee, UK	30 Sep 17	142,618	-3
Islamic Relief Worldwide	31 Dec 17	126,546	+20
Christian Aid	31 Mar 18	118,590	+21
International Medical Corps (UK)	30 Jun 17	108,976	-6
United Kingdom Committee for Unicef	31 Dec 17	99,971	-3
Care International	30 Jun 17	93,414	+19

CHARITY 100 INDEX: PERFORMANCE AT A GLANCE

The haysmacintyre / Charity Finance Charity Index performed below expectation in the first quarter of 2017, missing its average quarterly rise by 24 points.

The worst-performing income stream was voluntary income which missed its quarterly benchmark by 96 points, aided by double-digit falls in voluntary income at the British Museum, the Tate Gallery and the Victoria and Albert Museum. Income from charitable activities fell short of its quarterly benchmark, albeit by a more modest 32 points.

On the plus side, trading income outperformed its quarterly benchmark by 30 points, spurred by strong growth at RNIB and Action for Children. Investment and legacy income also beat their quarterly benchmarks by 7 and 2 points respectively.

	Index total	Legacy	Voluntary	Charitable activities	Investment	Gross trading
Index value	3,787	3,371	5,592	4,310	1,352	3,482
Points growth in last quarter	52	64	-16	71	7	120
Average quarter one points growth	76	62	80	103	0	90
Points growth in last year	146	43	305	139	81	165
Average yearly points growth	126	111	204	151	13	110

CHARITY 100 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
Royal Horticultural Society	31 Jan 18		16,290 (+95)	55,871 (+12)	365 (-39)	23,404 (-2)	95,930 (+16)
Addaction	31 Mar 18		207 (+5)	72,774 (-7)	13 (-38)	405 (+10)	73,399 (-7)
Age UK	31 Mar 18	29,487 (+7)	17,798 (+18)	12,801 (+8)	1,520 (+59)	85,449 (-9)	147,055 (-1)
Alzheimer's Society	31 Mar 18		73,188 (+11)	31,946 (-11)	961 (-10)	853 (-13)	106,948 (+3)
Barnardo's	31 Mar 18	16,550 (+10)	23,857 (-3)	173,716 (+1)	2,721 (+1)	84,676 (+2)	301,520 (+1)
British Heart Foundation	31 Mar 18	83,400 (+14)	50,700 (-2)	100 (-91)	6,000 (+3)	187,800 (+5)	328,000 (+6)
Canal and River Trust	31 Mar 18		6,100 (+118)	150,400 (-2)	48,400 (+3)		204,900 (+1)
Cancer Research UK	31 Mar 18	181,500 (-3)	241,600 (-5)	121,800 (+1)	5,500 (+12)	83,900 (+4)	634,300 (-2)
Change, grow, live	31 Mar 18		109 (+102)	195,358 (+25)	79 (+3)		195,546 (+25)
Christian Aid	31 Mar 18	12,048 (+23)	42,634 (-5)	63,160 (+49)	75 (+4)	673 (-1)	118,590 (+21)
Citizens Advice	31 Mar 18	49 (-95)	38 (-86)	93,654 (-4)	72 (-62)		93,813 (-5)
Community Integrated Care	31 Mar 18			119,661 (+4)			119,661 (+4)
Francis Crick Institute	31 Mar 18		85 (+143)	140,840 (-2)	153 (-34)	1,691 (+357)	142,769 (-2)
Great Ormond Street Hospital Charity	31 Mar 18	26,251 (+86)	67,632 (-3)	5,321 (0)	1,561 (-19)	2,404 (+14)	103,169 (+11)
Hft	31 Mar 18	570 (-47)	1,844 (+13)	78,033 (+4)	315(+38)	113 (-32)	80,875 (+3)
Leonard Cheshire	31 Mar 18	21,359 (+196)	3,782 (+3)	149,283 (0)	358 (-18)	451 (-11)	175,233 (+9)
Marie Curie	31 Mar 18	34,459 (+4)	63,272 (-1)	43,261 (-2)	955 (-7)	17,372 (+2)	159,319 (0)
MHA	31 Mar 18	2,702 (+8)	2,229 (-31)	224,423 (+12)	76 (-41)		229,430 (+11)
Motability	31 Mar 18		2,281 (-33)	66,202 (+42)	3,095 (+27)	546 (-40)	72,124 (+35)
National Autistic Society	31 Mar 18	540 (+171)	6,545 (+7)	88,844 (-2)	85 (-23)	130 (-8)	96,144 (-1)
NSPCC	31 Mar 18	21,512 (-14)	75,706 (-4)	11,509 (-9)	1,241 (+16)	8,290 (-14)	118,258 (-7)
Nursing and Midwifery Council	31 Mar 18			87,711 (+3)	258 (-56)		87,969 (+2)
Orders of St John Care Trust	31 Mar 18		40 (-27)	122,863 (+6)	4 (-94)		122,907 (+6)
Oxfam	31 Mar 18	18,000 (-9)	93,000 (-2)	212,100 (+12)	300 (-25)	93,900 (+3)	417,300 (+5)
Prince's Trust	31 Mar 18	1,072 (+88)	43,247 (+5)	18,603 (+15)	506 (-19)	5,109 (-14)	68,537 (+6)
Richmond Fellowship Scotland	31 Mar 18		17 (+31)	68,528 (+8)	164 (-20)		68,709 (+8)
RNIB	31 Mar 18	41,919 (0)	32,257 (+5)	44,360 (-4)	191 (-17)	24,044 (+121)	142,771 (+10)
Royal Society	31 Mar 18		3,462 (+9)	76,239 (+17)	5,624 (+8)	13,008 (+10)	98,333 (+15)
RSPB	31 Mar 18	30,441 (-12)	6,699 (-18)	78,242 (+15)	72 (-59)	30,788 (+6)	146,242 (+4)
Scope	31 Mar 18	4,313 (-7)	12,778 (-3)	4,426 (-90)	589 (+76)	22,802 (-1)	44,908 (-48)
Sense	31 Mar 18	3,141 (-6)	9,775 (-10)	63,606 (+2)	36 (-60)	11,914 (+5)	88,472 (0)
Shelter	31 Mar 18	6,247 (+61)	30,681 (+5)	21,274 (+12)	252 (-11)	8,947 (+6)	67,401 (+11)
St Andrew's Healthcare	31 Mar 18		300 (+50)	200,900 (-2)	300 (0)		201,500 (-2)
Sue Ryder	31 Mar 18	6,044 (+58)	9,542 (+4)	28,770 (0)	186 (-27)	57,129 (0)	101,671 (+3)
Tearfund	31 Mar 18	5,896 (-1)	47,517 (+7)	20,890 (-4)	118 (-13)	78 (+13)	74,499 (+3)
Turning Point	31 Mar 18			127,679 (+2)	44 (+83)		127,723 (+2)
United Response	31 Mar 18		357 (-30)	91,990 (-1)	486 (+12)		92,833 (-1)
VSO	31 Mar 18			73,502 (-6)	43 (-67)	1,507 (+136)	75,052 (-5)
WaterAid	31 Mar 18	6,122 (+14)	50,052 (+5)	25,727 (-4)	36 (-53)	1,112 (+18)	83,049 (+3)
Royal Voluntary Service ¹	01 Apr 18	297 (+57)	9,239 (+37)	54,839 (-4)	398 (-11)		64,773 (0)

(1) Financial year end change from 26 March 2017 to 1 April 2018.

programmes is likely to come in the form of contract income, rather than grants, with tax and VAT implications,” says Jessa. “This means that charities

that are not registered for VAT will be less well placed than commercial companies to take advantage of it. “Similarly, the UK government’s

decision to let EU nationals working in the UK apply to stay will not help meet future staff needs when existing staff move on to new jobs.” ●

ABOUT THE CHARITY INDEXES

For further information on how the haysmacintyre / Charity Finance Indexes are compiled, please see www.civilsociety.co.uk/index-about

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