

Church of England's Reform and Renewal Programme boosts Archbishops' Council

Diane Sim reports on a positive quarter for the Charity 100 Index and takes a closer look at charities active in heritage, culture and the arts.

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THE TOP-performing charity in this month's review of the haysmacintyre / Charity Finance 100 Index is the Archbishops' Council, which reports a 64 per cent increase in income to £138.4m in the financial year ending 31 December 2017.

The council exists to further the work and mission of the Church of England, providing support to churches in dioceses and locally. Its income rise came about largely thanks

to grant income from the Church Commissioners for England, which manages the Church's investment fund. The Commissioners more than doubled their support to £92.6m between 2016 and 2017 as part of the Reform and Renewal Programme adopted by the Church in 2015.

According to secretary general William Nye, the Archbishops' Council

“Islamic Relief also performed well in 2017”

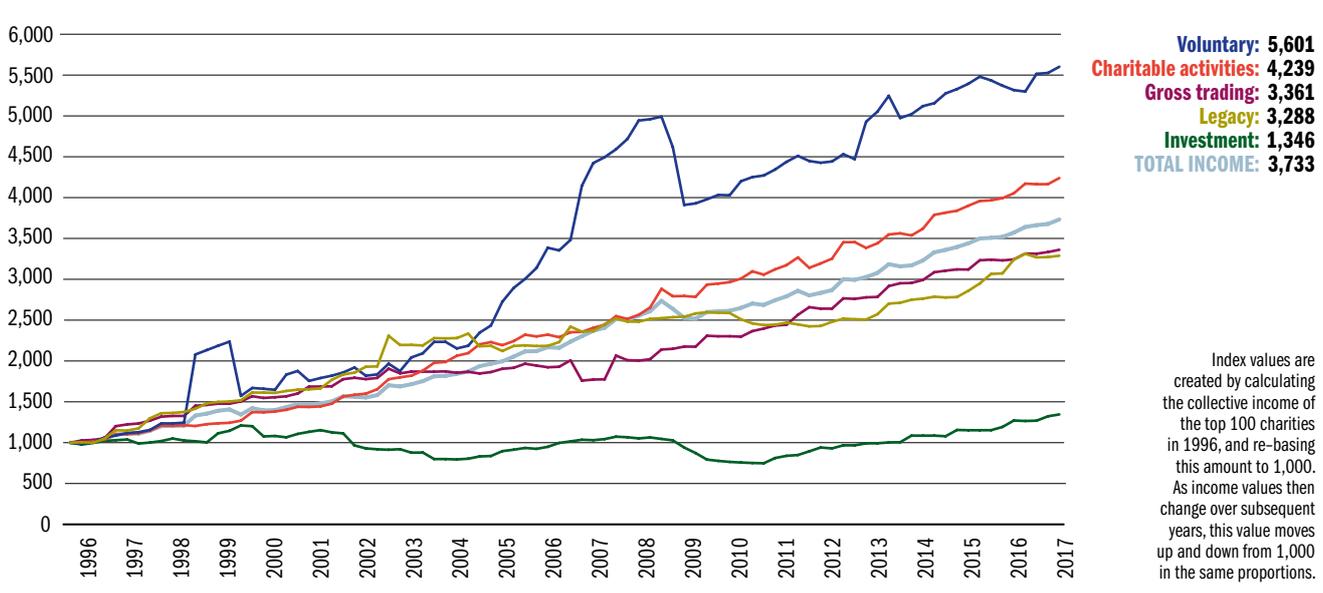
“now makes much more deliberate use of the resources provided to it by the Church Commissioners, with large grants available on application from dioceses for projects for evangelism and church growth, and significant sums made available to dioceses for ministry in lowest income communities.”

In order to enable the dioceses to adapt to these changes, the Church Commissioners have made additional time-limited funding available.

Islamic Relief Worldwide also performed well in 2017, reporting a 15 per cent increase in income to £126.5m. This was aided by a 24 per cent increase in voluntary income to £107.1m, which more than offset an 18 per cent fall in institutional funding.

Over 70 per cent of the charity's voluntary income derives from 17

CHARITY 100 INDEX SINCE 1996



CHARITY 100 INDEX: PERFORMANCE AT A GLANCE

The haysmacintyre / *Charity Finance* 100 Index performed above expectation in the fourth quarter of 2017, beating its average quarterly rise by 21 points.

The top performing income stream was charitable activities, which outperformed its quarterly benchmark by 36 points, fueled by a chunky increase at the Archbishops' Council (see main text). Investment income also performed well, beating its quarterly benchmark by 16 points, as did voluntary and trading income, which both beat their respective benchmarks by 12 points.

The only underperforming income stream was legacies, which missed its quarterly benchmark by 32 points due to big falls at Unicef UK, Sightsavers International and Guide Dogs.

	Index total	Legacy	Voluntary	Charitable activities	Investment	Gross trading
Index value	3,733	3,288	5,601	4,239	1,346	3,361
Points growth in last quarter	56	16	75	75	23	28
Average quarter four points growth	35	48	63	39	7	16
Points growth in last year	161	47	285	187	75	118
Average yearly points growth	127	110	213	151	12	110

Islamic Relief partner offices, which are registered as charities in their own right. They donated £77.8m in 2017, up 29 per cent from £60.4m in 2016.

Elsewhere, the Leverhulme Trust reported total income of £99.4m in 2017, up 15 per cent from £86.7m in 2016. Investment income accounts for all of the Trust's income, and over 80 per cent of this derives from dividends in the consumer goods company Unilever.

At the same time, the value of the Trust's funds at the end of 2017 increased by £617m or 23 per cent to £3,256m. Over 90 per cent of the increase in value is attributable to the rise in market value of Unilever, which resulted in an unrealised gain of £570.9m.

The fourth charity filing an annual income gain of over 10 per cent in the fourth quarter of 2017 is the British Red Cross Society, which reported a 14 per cent increase in total income to £280.6m, excluding net gains on the disposal of tangible fixed assets of £3.9m in 2017.

The relief charity's income streams are well diversified, with voluntary income accounting for 46 per cent of total income, followed by charitable activities at 32 per cent and legacy and trading income at 11 per cent each. Voluntary income grew by 23 per cent, while income from charitable activities grew by 13 per cent.

HERITAGE, CULTURE AND THE ARTS

Charities with financial year ends falling in the first quarter of 2018 have started to file their accounts, and these are included in the table on page 62. Among these early filers there is a strong prevalence of charities active in heritage, culture and the arts.

“ A series of creative tax reliefs are providing a lifeline ”

Across the Charity 100 and Charity 250 Indexes, there are 30 charities involved in this broad sector. They

span from the National Trust with annual income of £593.6m to the Wales Millennium Centre with annual income of £21.7m.

In between are a diverse range of sub-sectors including the performing arts (mainly theatre, opera and ballet), museums and art galleries, and heritage properties and sites of historic interest such as Historic Royal Palaces.

Taking all charities active in heritage, culture and the arts in the Charity 100 and Charity 250 Indexes as a composite, income from charitable activities accounts for 73 per cent of income, followed by trading income at 15 per cent, voluntary income at 8 per cent and the remaining 4 per cent split evenly between legacy and investment income.

Income from charitable activities includes fees for services, though it also includes a significant amount of state funding in the form of grant in aid and Heritage Lottery funding in the museums and art galleries sub-sector, and Arts Council funding in the performing arts sub-sector.

Against a backdrop of central and local government funding pressures, a series of creative tax reliefs introduced by HMRC over the last few years are providing a lifeline. They include theatre tax relief, available since September 2014; orchestra tax relief, available since April 2016; and museums and galleries tax relief, available since April 2017.

Whilst it is still early days for the latter two, theatre tax relief is beginning to make an impact. A case in point is the Royal National Theatre, which is using creative tax reliefs to

LARGEST CHARITIES INVOLVED IN HERITAGE, CULTURE AND THE ARTS IN THE CHARITY 100 AND CHARITY 250 INDEXES

Charity name	Year end	Total income £'000	Change on previous year
National Trust	28 Feb 18	593,643	+1
Royal Opera House Covent Garden Foundation	27 Aug 17	141,026	+1
Tate Gallery	31 Mar 18	133,302	-6
English Heritage Trust	31 Mar 18	116,003	+13
Royal Botanic Gardens, Kew	31 Mar 18	111,700	+43
Royal National Theatre	01 Apr 18	107,800	+3
British Museum	31 Mar 18	104,425	-11
Historic Royal Palaces	31 Mar 18	98,161	+9
British Film Institute	31 Mar 18	96,914	+1
Victoria and Albert Museum	31 Mar 18	92,229	+1

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
Children's Investment Fund Foundation (UK)	31 Dec 17		649 (+4)	27,339 (+25,588)	181,771 (-5)		209,759 (+10)
Fusion Lifestyle	31 Dec 17			83,667 (-2)	0 (-100)		83,667 (-3)
General Medical Council	31 Dec 17			110,339 (+5)	1,699 (+2)	483 (-)	112,521 (+5)
Guide Dogs for the Blind Association	31 Dec 17	43,700 (-9)	54,400 (+8)	9,800 (+24)	800 (+14)	1,200 (-14)	109,900 (+1)
Islamic Relief Worldwide	31 Dec 17		107,149 (+24)	15,745 (-18)	432 (+4)	3,220 (-21)	126,546 (+15)
Marie Stopes International	31 Dec 17		3,721 (+74)	279,304 (+1)	777 (+10)		283,802 (+1)
Nuffield Health	31 Dec 17		0 (-100)	905,700 (+8)	400 (+300)	3,400 (+26)	909,500 (+8)
PDSA	31 Dec 17	45,755 (+1)	21,640 (-7)	9,251 (+21)	1,468 (-3)	23,724 (-2)	101,838 (0)
RNLI	31 Dec 17	135,100 (+4)	49,600 (-4)	4,800 (+4)	2,200 (-4)	10,700 (+20)	202,400 (+2)
Sightsavers International	31 Dec 17	9,384 (-26)	33,910 (+22)	29,577 (-5)	279 (+25)	6 (-54)	73,156 (+2)
United Kingdom Committee for UNICEF	31 Dec 17	5,876 (-37)	83,859 (+2)	9,942 (-14)	12 (-65)	282 (+65)	99,971 (-3)
National Trust	28 Feb 18	51,938 (-16)	13,181 (+14)	417,577 (+2)	29,167 (+14)	81,780 (+1)	593,643 (+1)
British Film Institute	31 Mar 18			96,905 (+1)	9 (+13)		96,914 (+1)
British Museum	31 Mar 18		15,888 (-28)	75,210 (+1)	330 (-69)	12,997 (-36)	104,425 (-11)
English Heritage Trust	31 Mar 18		7,068 (+102)	80,538 (+9)	89 (+85)	28,308 (+11)	116,003 (+13)
Historic Royal Palaces	31 Mar 18		3,216 (+30)	79,653 (+8)	475 (+12)	14,817 (+8)	98,161 (+9)
Natural History Museum	31 Mar 18		7,887 (+53)	58,770 (-4)	111 (+17)	17,636 (+2)	84,404 (+1)
Royal Botanic Gardens, Kew	31 Mar 18		4,400 (+2,100)	94,900 (+42)	100 (-)	12,300 (+15)	111,700 (+43)
Science Museum Group	31 Mar 18	69 (-49)	6,586 (-28)	60,664 (+6)	484 (-1)	19,455 (+19)	87,258 (+5)
Tate Gallery	31 Mar 18		35,782 (-27)	58,468 (-1)	446 (+12)	38,606 (+16)	133,302 (-6)
Victoria and Albert Museum	31 Mar 18		17,520 (-23)	52,859 (+1)	140 (+82)	21,710 (+35)	92,229 (+1)
Royal National Theatre ¹	01 Apr 18		12,200 (0)	69,400 (+19)		26,200 (-23)	107,800 (+3)

(1) Financial year end change from 28 March 2017 to 1 April 2018.

offset cuts in Arts Council funding.

The Royal National Theatre received Arts Council funding of £17.2m in 2017/18. However, its four-year funding settlement running up to 2021/22 has been cut to £16.7m per annum, representing a 3 per cent reduction.

According to the trustees, the "Arts Council grant has been cut by £2.9m since 2010-11, representing a real terms reduction of 30 per cent." As a result, the Royal National Theatre has become "increasingly dependent in recent years on theatre and film tax credits, which in 2017/18 amounted to £4.6m".

According to HMRC figures, there were 910 successful claims for theatre tax relief in 2017/18 amounting to £77m, up 67 per cent from the £46m paid out in 2016. A total of £137m has been awarded to almost 5,000 theatre

productions since the scheme began.

Meanwhile, £6.6m has been paid out in orchestra tax relief on 205 productions since 2016. There are no statistics available yet on claims for museums and galleries tax relief.

“ The extension of IR35 would lead to increased scrutiny ”

“Creative sector tax reliefs are a welcome source of support for charities active in the heritage, arts and culture sector, but charities do need to be aware of the practicalities involved in applying for them and the time lag between putting in a

claim and receiving the money,” says haysmacintyre’s head of charities and not-for-profit Richard Weaver.

Another arguably less welcome tax issue highlighted by Weaver is the current government consultation over whether the off-payroll working rules known as IR35 should be extended into the private sector. At present the rules only apply in the public sector, but their extension would see charities fall under the remit.

“There are a lot of self-employed people working in the arts sector and the extension of IR35 would lead to increased scrutiny over whether they are genuinely self-employed or whether they are effectively employees, with attendant consequences for their employment rights and their tax and national insurance status,” he says. ●

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