Changes in Expenditure, Income and Income Sources for Development NGOs based in the UK

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Highlights

• In the England and Wales charity begins at home. Total spend by development NGOs in 2015 here was about £6.7bn; total charitable spend about £68bn of which £50bn was for charities whose remit is only within the UK.

• The development NGO sector has grown vigorously, especially since the 1980s.

• The sector is highly unequal in terms of its allocation of resources, with 8% of organisations controlling 88% of expenditure.

• Income and expenditure by development NGOs has increased since 2004 across all class sizes in England and Wales, and in Scotland since at least 2009.

• The public is the most important source of revenue for development NGOs, providing 40% of revenues. This has increased in real terms over the last 5 years, but decreased marginally in relative importance as the sector has diversified.

• Growth in public income is not rivalrous, i.e. organisations do not seem to be fighting for the same pound. Instead they are seeking and creating new sources. It is likely that growth in public income derives from high net-worth individuals.

• Corporate donations generally account for little more than 5% of income, and have not increased except for the largest NGOs.

• Scottish NGOs we have analysed are drawing less on donations from the public proportionately to England and Wales. This may be a function of the sample.

• Fundraising ratios (return on fundraising invesments) are high and favourable for the sector as a whole.

• If more was invested in fundraising it is possible that hundreds of millions of extra income could be earned.
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Introduction

We have been tracking the finances and activities of nearly 900 development NGOs based in England, Wales and Scotland. This has entailed engagement with various umbrella agencies to obtain lists of NGOs and consultation exercises to determine which organisations should, or should not, be on the list. More details about this process, and who is included or excluded from our list, and earlier reports from it are available [here](#).

This report compiles findings from three datasets about this group of NGOs:

1. Income and Expenditure figures from 2003 to 2015 which can be downloaded from the Charity Commission site (as per the instructions [here](#)). This provides data for English and Welsh charities which account for 837 organisations on our lists.

2. Income and Expenditure figures from 2009 to 2015 which we have compiled ourselves for Scottish development NGOs which account for 68 on our lists.

3. A breakdown of income sources and expenditure on fundraising for a sample of 580 NGOs from 2009 to 2014. We have obtained about half of these data from the National Council of Voluntary Organisations’ ([NCVO](#)) which runs a ‘Civil Society Almanac’. The Almanac provides detailed records of the sources of income of a large number of NGOs. The rest of these data we entered ourselves.

We are undertaking this work partly because we could not find this sort of general overview and description. Specifically we wanted to understand better how the development NGO sector in the UK works as a sector, and how it works with overseas partnerships and networks. We also want to understand what sustains the sector in the UK and how that support is changing. We want to do this because we believe that the sector promotes social justice and understanding how it operates will advance that cause.

Although the work reported here is considerable we see this only as a preliminary step to conducting more authoritative work on changes in income, expenditure, priorities and networks that we hope to undertake in collaboration with a number of different development organisations.

The report is structured as follows.

1. Our methods for putting together this list and the financial data it presents.

2. A basic description of the structure and geography of the sector, and its recent financial trends.

3. The changing sources of income and the role of fundraising in those changes.

This research is co-lead by Dan Brockington of the Sheffield Institute for International Development (SIID) and Nicola Banks of the Global Development Institute (GDI) at the Universities of Sheffield and Manchester respectively. All data used here will be made freely available in the public domain when our final reports are released.
Methods

To construct the list of 898 development NGOs we have screened over 1500 charities (hereafter NGOs) from the membership lists of BOND, Scotland’s International Development Alliance; South West and South Wales International Development Network; The South Yorkshire International Development Network, the Foundation for Social Improvement and Small Charities Coalition; from grantees of DFID and Comic Relief; from Hub Cymru Africa; from organisations declaring their interests in ODA and famine relief on the Charity Commission website; from a previous research project into conservation NGOs, and from our own ‘snowballing’ of contacts and networks.

Any list like this is only as good as the criteria for being included or excluded. We have excluded the following sorts of organisations:

- Those whose primary purposes are not international development – for example Leonard Cheshire and the RNLI;
- That are not charities;
- That primarily give grants to UK-based organisations – or example Comic Relief;
- That spend on average less than £10k in between 2011 and 2015. This is not because we think small organisations are unimportant, just that we did not have the resources to take them all on;
- Organisations from Northern Ireland – because we could find no umbrella organisation to draw them from;
- That are primarily religious NGOs. For the purpose of this research we have defined ‘primarily religious NGOs’ as organisations that spend much time and money on a set of activities (missionary work, church or mosque building) not undertaken by secular organisations. We have included many organisations with a religious underpinning, such as Christian Aid, Tearfund and Islamic Relief, which are organisations whose activity resembles that of secular organisations.

A word of caution is required about the last exclusion. Despite acknowledgment of the significance of religion within development and appreciation for the lessons that can be learnt from religious organisations, the sheer mass of religious NGOs have prevented us from including this group. As with the small NGOs, we believe these religious organisations comprise a potentially large group that is beyond our means to accurately list, deserving of a study in their own right.

As a result of these exclusions we are fairly certain that we are surveying only a small minority of the sector in terms of the number of organisations included, but we are covering most of its expenditure. We can be sure of this because the Charity Commission of England and Wales categorises charities according to their activities. In the category ‘Overseas Aid/Famine Relief’ 11,079 charities were listed in 2015. We have less than 10% of them. However this group was only spending £2.2bn, just under half of which was accounted for by the largest 37 organisations, many of whom we considered but discounted because they were only donor groups (like Comic Relief) or were not mainly development organisations (like Leonard Cheshire). This group of excluded organisations mainly consists of smaller charities – over 9600 were in the smallest categories.
Partly for this reason we are confident therefore that we have identified a sufficiently meaningful group of organisations to begin analyzing patterns within them. Another reason for that confidence is that we have subjected the list of included and excluded organisations to a public check, welcoming feedback from all organisations on the lists and the umbrella organisations that we drew our list from. The list of organisations we have screened, and the data we have collected, will be available to download on the project website when we have completed cross-checking data and collecting feedback from all the organisations included in the study. This is an integral part of our methods.

For this list of organisations we obtained financial data from two sources. Basic income and expenditure were available for download from the Charity Commission, the Office of the Scottish Charity Regulator and from the organisations themselves. All our data are already in the public domain. We have merely collated them.

The charities for whom we collected these data use a variety of financial years. To make them comparable and consistent we have converted financial year data into calendar years. We did this by assuming that expenditure and income were evenly spread through the year, and allocating figures to calendar years accordingly. We have also standardized the calendar year data, so that where data are not available for the whole calendar year, or, on occasion, financial years overlap so that the same month is reported twice, these discrepancies can be controlled for.

The reason why we have presented data from 2004-2015 (for English and Welsh charities) and 2009-2015 (Scottish) is because these are the years for which data are most complete. We cannot report on more recent trends because the data are still not available. It takes some time for organisations to complete their financial reports. This means that, for organisations whose financial years include the final months of 2016, their reports for those months are still not available. Full data for 2016 will only become available sometime in 2018.

We have data on the source of income from the NCVO Almanac. These data take some time to collect, and so the latest year for which we have reasonably complete data is 2014. The NCVO Almanac provides detailed records of the finances, staffing and assets of a large sample of NGOs. This constitution of the Almanac is structured according to the size of the organisation. Records of all the largest (income over £100 million) are kept each year along with samples of the smaller organisations. The size of the sample decreases with the category size of the organisation – from 0.1 of the micro organisations (income less than £10 million), to 80 of the major organisations (income over £10 million).

It is important to note that the sample of NGOs taken to construct the Almanac is different each year. It does not follow the same organisations every year. This means that when we bought records from the Almanac of 400 organisations, we do not, in fact, have complete records for all organisations across all six years of the study. These deficiencies affect the smaller organisations most as these are sampled least frequently. We have therefore supplemented Almanac with our own records, filling in missing
years where necessary, and adding large numbers of smaller organisations, randomly selected from our list.

NCVO and Charity Commission data were not always concordant. The vast majority of records were the same but there were some significant differences (more than 10%, or more than £100k) in a few case. We tried to reconcile them. It may be best, however, to treat them as separate records in this analysis.

We have amalgamated the sources of income presented in the Almanac to present trends in the following list of sources:

- Business Sector
- Independent Government Funded Bodies (NHS Trusts, Universities, Arts Councils, Public Corporations)
- Investments
- National Lottery
- Non-Profit Sector (Other NGOs and Foundations)
- Overseas Governments
- The Public
- UK Government (Central and Local)
- Unclassified

Because it derives from the Almanac this report is similar to an earlier report presented by BOND which examined financial trends of 362 of its members from 2006/7-2013/14, with a detailed breakdown in income sources for nearly 230 BOND members. Our report differs in three ways from this earlier one. First, it concerns a larger group of NGOs, not just BOND members. Second, its data are more complete – for some smaller organisations, Almanac data were only available for two years in the BOND report – we have more complete records. Third, as explained in the appendices, NCVO data can alter the financial years for which income and expenditure are reported. We have corrected those alterations and use calendar, rather than financial years.

Full details of our treatment of the data – the nature of the data, amalgamations of income category, correction for inflation, are provided in the methodological annexes. We highlight here that we have also cleaned the data removing outliers and unusual organisations whose presence would distort findings with respect to historical data. This includes the British Council, which is so large that its trends distort the sector, and Save the Children International, whose reorganization say its income rise by two orders of magnitude (see the appendices for more information). We do include Save the Children Fund (UK). This omissions do not change the representativeness of the sample, because the unusual qualities of these organisations means that they are not typical of the sector.
1. The development NGO sector in England and Wales compared to the rest of the charitable sector.

In the England and Wales, charity begins at home. Of £68 billion spent by the charitable sector in England and Wales in 2015, £53 billion (78%) was spent by charities operating within the UK alone (Table 1). Only £2.9 billion was spent entirely overseas.

Development charities’ spending constituted less than 10% of all charitable expenditure. Some even appears to have been spent by organisations who operate only within the UK. This could reflect the work of organisations like BOND, or it could mean that the Charity Commission data may contain inaccuracies.

Note we cannot include data on Scottish organisations here as we could not access the appropriate data.

Table 1: The Geography of Charitable Expenditure in England and Wales

<table>
<thead>
<tr>
<th>Remit</th>
<th>Expenditure 2015 All charities (£ Million)</th>
<th>% of all charities 2015</th>
<th>Expenditure 2015 Dev NGOs (£ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only Within UK</td>
<td>53,238</td>
<td>78</td>
<td>242</td>
</tr>
<tr>
<td>UK and Beyond</td>
<td>12,164</td>
<td>18</td>
<td>4,524</td>
</tr>
<tr>
<td>Only Beyond UK</td>
<td>2,946</td>
<td>4</td>
<td>1,943</td>
</tr>
<tr>
<td>Total</td>
<td>68,347</td>
<td></td>
<td>6,710</td>
</tr>
</tbody>
</table>

Source: Authors’ Analysis of Charity Commission Data
2. The growth of the number of organisations in the sector

Development NGO growth has been increasingly vigorous since the 1980s. The high point was the mid-2000s, with an apparent decline after the financial crisis of 2007/8 (2008 is marked in black in Figure 1). Numbers have increased by over 250 since 2005.

Figure 1: Establishment dates of development NGOs spending more than £10k in 2015

However, this decline in the establishment of new organisations is not indicative of a decline in the sector as a whole, as the graph above only portrays organisations spending more than £10k in 2014. It takes a few years for many organisations to reach this size. The lag is illustrated in the graph below for all UK charities. It shows new organisations being started vigorously in recent years but a steep decline in the organisations that were recently established and spending more than £10k in 2014.

Figure 2: Establishment trends of all UK charities
It is possible to object that our methods only selected the ‘survivor’ NGOs and that we miss out all the organisations which used to exist in the early years of our survey but have ceased to exist. This would mean that the apparent rise we have just described is in fact much reduced, because there were many more organisations in existence much earlier on, but which are excluded from our work.

We do not think this is likely. In part we have just not heard of many large organisations which have ceased to exist or merged. There are some (Merlin, Village Aid) but they are few. If there was such a high rate of attrition we suspect that the sector would already know about it.

In part it is possible to test for attrition using Charity Commission records for English and Welsh charities. We examined trends in the ‘Overseas Aid / Famine Relief Class’ of NGOs and found that the number of organisations in this class as a whole increased from just over 6,000 in 2004 to just over 11,000 in 2005 – an increase of 83%. Other charities, not in this category increased by only half that – 43%. We believe therefore that the change we have described above is real, and not a function of our methods.

3. The size of the sector and its unevenness

Development NGOs based in Britain are spending just under £7bn reported in 2015 (Table 2). This is equivalent to about half of total ODA expenditure by the British government. We use expenditure to explore the size of the sector and its structure, rather than income, because expenditure data reflects actual use of funds, and can be more even than income, which is prone to fluctuations from year to year.

These figures require some qualification. The largest organisation (the British Council) which spends more than £900million, receives considerable support from the UK government. Tens of millions are also contributed by DFID to development NGOs based in the UK through partnership agreements. The second largest, Save the Children International, with expenditure of over £600 million, includes funds raised from many international offices across the world. Finally, there is also some double-counting in these sums, in that organisations are funding each other. Save the Children UK contributed nearly £200 million to Save the Children International; the larger organisations also support each other.

<table>
<thead>
<tr>
<th>Size Class</th>
<th>Expenditure</th>
<th>Expenditure (%)</th>
<th>Count</th>
<th>Count (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;100m</td>
<td>3,536,640,324</td>
<td>51</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>&gt;40 m</td>
<td>1,460,125,042</td>
<td>21</td>
<td>19</td>
<td>2</td>
</tr>
<tr>
<td>&gt;10 m</td>
<td>1,097,792,077</td>
<td>16</td>
<td>49</td>
<td>5</td>
</tr>
<tr>
<td>&gt;3 m</td>
<td>458,080,664</td>
<td>7</td>
<td>76</td>
<td>9</td>
</tr>
<tr>
<td>&gt;1 m</td>
<td>244,991,023</td>
<td>4</td>
<td>126</td>
<td>14</td>
</tr>
<tr>
<td>&gt;500k</td>
<td>97,214,275</td>
<td>1</td>
<td>126</td>
<td>14</td>
</tr>
<tr>
<td>&gt;100k</td>
<td>76,282,325</td>
<td>1</td>
<td>278</td>
<td>31</td>
</tr>
<tr>
<td>&gt;10k</td>
<td>10,757,322</td>
<td>0.2</td>
<td>208</td>
<td>23</td>
</tr>
<tr>
<td>Total</td>
<td>6,981,883,053</td>
<td></td>
<td>891</td>
<td></td>
</tr>
</tbody>
</table>
Table 2 also demonstrates the substantial unevenness of the sector. The 77 largest organisations account for over 90% of expenditure. With over 800 organisations accounting for just 13% of expenditure. Moreover this distribution excludes the myriads of small NGOs spending less than £10k per year.

This distribution is well known to the sector and a sensitive issue. There is a feeling that too much money is concentrated amongst too few organisations, and that not enough goes to ‘frontline’ smaller organisations. There is also the view that larger organisations can deliver economies of scale, and that not all organisations need to be large to achieve their objectives.

We make no comment on the appropriateness or efficiency of this distribution. Our purpose in the first instance is to describe this difference in order that more interesting questions about the consequences of it can be formulated.

4. The Geography of the Sector

We identified five regions in the mainland UK – Scotland, the North and North Wales, South West England and South Wales, South East England (excluding London) and London. We located NGOs in these regions according to the postcode of their correspondence addresses in the Charity Commission records. Maps of the different distributions of NGOs are shown below.

Figure 3: Distribution of development NGOs in the mainland UK

As the maps suggest, London dominates the development NGO scene. Most of the largest organisations are found there (Table 3), and by far the most money is spent by organisations headquartered there (Table 4).

Table 3: The distribution of development organisations in the UK
Table 4: Money spent in 2015 (in millions £) by development NGOs headquartered in different regions in the UK

<table>
<thead>
<tr>
<th>Size Class</th>
<th>London</th>
<th>SE not London</th>
<th>South West</th>
<th>The North</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;100m</td>
<td>2,927,735,195</td>
<td>608,905,129</td>
<td></td>
<td></td>
<td></td>
<td>3,536,640,324</td>
</tr>
<tr>
<td>&gt;40m</td>
<td>1,140,777,720</td>
<td>153,504,251</td>
<td></td>
<td>112,522,405</td>
<td>53,320,666</td>
<td>1,460,125,042</td>
</tr>
<tr>
<td>&gt;10m</td>
<td>664,175,065</td>
<td>145,269,349</td>
<td>35,809,524</td>
<td>144,196,276</td>
<td>108,341,863</td>
<td>1,097,792,077</td>
</tr>
<tr>
<td>&gt;3m</td>
<td>286,631,529</td>
<td>64,563,117</td>
<td>35,840,646</td>
<td>53,446,017</td>
<td>17,599,356</td>
<td>458,080,664</td>
</tr>
<tr>
<td>&gt;1m</td>
<td>133,916,951</td>
<td>52,516,245</td>
<td>18,573,716</td>
<td>30,954,807</td>
<td>9,029,304</td>
<td>244,991,023</td>
</tr>
<tr>
<td>&gt;500k</td>
<td>56,024,188</td>
<td>16,238,721</td>
<td>6,201,543</td>
<td>14,158,980</td>
<td>4,590,843</td>
<td>97,214,275</td>
</tr>
<tr>
<td>&gt;100k</td>
<td>33,426,820</td>
<td>15,539,775</td>
<td>8,031,920</td>
<td>12,229,019</td>
<td>7,054,792</td>
<td>76,282,325</td>
</tr>
<tr>
<td>&gt;10k</td>
<td>3,564,301</td>
<td>1,743,706</td>
<td>1,884,127</td>
<td>2,336,643</td>
<td>1,228,545</td>
<td>10,757,322</td>
</tr>
<tr>
<td>Total</td>
<td>5,246,251,769</td>
<td>1,058,280,293</td>
<td>106,341,476</td>
<td>369,844,146</td>
<td>201,165,369</td>
<td>6,981,883,053</td>
</tr>
</tbody>
</table>

The basic pattern of this distribution is well known, but its precise quantification may not be. The concentration of funds into large NGOs that characterizes the sector is augmented by their spatial concentration in London and the South East. This adds a dimension of geographical inequality upon the known inequalities in the structure of the sector.

The general reasons for this distribution should be clear. London is where government, politicians and policy makers are found. It is where, as these tables show, most of the other development organisations can be found. London and the South East contain by far the highest concentrations of people, and particularly wealthy people. Its also the location of the most powerful, and wealthy businesses, from which funds are required.
4. Financial Changes in the Sector over Time

Our historical data come from two sources. For English and Welsh charities we have data from 2004-15, for Scottish charities from 2009-2015. We present both in the graphs and tables below, distinguishing them where necessary for the analysis. We have excluded from this section the organisations like the British Council and Save the Children International whose records are exceptional.

The most salient fact is that in terms of the number of organisations, and their income and expenditure, this sector is growing. There are no indications in these data that the sector has somehow peaked, or become full. Expenditure has increase 44% between 2009 and 2015. This increase in expenditure cannot be explained by the rise in number of organisation. The number of organisations has increased by only 30%, and these new organisations tend to be smaller and contribute relatively little to the sector's overall growth.

Figure 4: The Growth of Development NGOs and Development NGO expenditure

Second, there has been growth across all size classes (Table 5). However growth has been strongest for the largest size classes. The increases to the smaller size classes, though apparently considerable, is in fact driven by the growth in their numbers, rather, as we shall see, by increases in their individual income.

The regional pattern of growth is complicated (Table 6). London has seen the most new organisations (which are smaller and tend to grow more slowly), and also houses almost all the largest organisations (which grow faster). Scottish growth appears most vigorous, because it starts from a smaller base. Growth in expenditure is probably most vigorous in the North, where the number of organisations has grown by only 20%, but expenditure by nearly 50%, and this is comprised, generally speaking of relatively small organisations.