



PRESS RELEASE – 5 March 2016

**New Report reveals the average UK charity shop produces just 17% profit margin, less than Next plc (18%) which doesn't benefit from extensive tax reliefs, volunteer staff and free donated goods.**

**50 of the UK's largest charities spend twice as much as 50 of the US's largest charities on costs of generating income and governance; and twice as much as a typical UK charity**

A new report published by the True and Fair Foundation (TFF) '*Lifting the Lid – A Review of Income Generation & Governance Costs, and Charity Shops*' calculates the UK charity sector as a £93.9 billion per annum sector. The report analysed income generation and governance costs of 50 large UK charities, selected on the basis of donations from the general public; as well as comparison with 50 large US charities, similarly selected. The report also analysed the profit and social value of UK charity shops.

#### **UK Charity Sector Statistics – Findings:**

- There are 165,290 charities in England and Wales, which equates to **one charity per 347 people**.
- The annual income of these charities, at the end of 2015, was £70 billion per annum.
- The UK charity sector receives £17.9 billion each year from taxpayers - £13.3 billion from Government and £4.6 billion of tax relief to charities and individuals. This is more than the amount spent on sizeable Government departments e.g. the Home Office (£13.2 bn) or Ministry of Justice (£7.8 bn).
- Annual income, added to the economic value of 20 million volunteers, **equates to a £93.9 billion industry employing over 800,000 people**.
- The sector is dominated by large charities – **charities with over £10 million annual income account for just 0.4% of organisations, but 48% of the sector's income**.
- There is a concentration of charities and projects in wealthy areas e.g. London, rather than areas of greatest need.

#### **Income Generation and Governance Costs – Findings:**

- 50 of the UK's largest charities, selected on the basis of public donations, spent on average 22% of their income on 'income generation and governance' costs.
- The average for these 50 large charities (22%) is twice the average UK charity (11%) based on a sample of 5,089 UK charities.
- **The average for these 50 large charities (22%) is also more than twice the average of 50 US large charities (10%) based on similar cost categories.**

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- 13 of the 50 large charities spent 30% or more on just income generation and governance costs.

### Charity Shops – Findings:

- **Charity Shops in the UK typically convert 17p per £ income into profit – less than the typical operating margin of Next plc (18%)** which does not benefit from tax reliefs, volunteer staff, or ‘free’ donated goods.
- The major **US charity, Goodwill Industries, which runs 3,000 charity shops, converts 83¢ per \$ of income into profit** for charitable activities (most of its income derives from charity shops).
- The profits from UK charity shops are c. £290m but they are estimated to cost UK taxpayers between £273m and £1,558m pa in terms of business rates relief, VAT discounts and Gift Aid.

### Report Key Recommendations:

1. The government should urgently set up an independent inquiry to investigate and ultimately improve the transparency and efficiency of the UK charity sector.
2. Gift Aid should be restricted to the percentage of a charity’s income spent on charitable activities, rather than any other expenditures.
3. Any charity, over an agreed limit, receiving Gift Aid or any other form of government funding should be subject to the Freedom of Information Act.
4. The role and value of ‘traditional’ charity shops should be reviewed. The mandatory 80% minimum business rates relief for charity shops should be reduced by 10% a year to 50% in three years’ time.
5. A best practice maximum benchmark for fundraising and governance costs as a percentage of overall income should be introduced by the sector, if not by the Charity Commission. TFF’s view is that this should be c. 25% over rolling three year periods.
6. The Financial Reporting Council (FRC) should urgently introduce a new format for the charity Statement of Recommended Practice (SORP). TFF’s research concludes that the current format of the SORP is not fit for purpose in terms of providing donors with key financial information they require in a clear and understandable format.

The ‘Lifting the Lid’ Report findings show that the UK is performing poorly compared to US counterparts, both in terms of the proportion of income spent on income generation and governance costs (often mainly fundraising costs), and in terms of the profitability of charity shops.

The report highlights the dominance of large charities which has created an uncompetitive charity sector that is significantly disadvantaging smaller vital community charities. With large charities garnering so much of the public’s generous support, as well as government grants and donations, many smaller charities are being starved, and simply cannot compete with the amounts of money being spent by big charities’ huge fundraising departments.

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As William Shawcross, Chairman of the Charity Commission of England and Wales, recently said, *“It sometimes seems that big charities in particular have been impersonal, aggressive and, in some cases, exploitative... The defensive response from some leaders in the sector had not helped... charities should welcome scrutiny.”*

**Commenting on the report, Gina Miller, Founder of the True and Fair Foundation said**

*“I accept that we are raising issues which challenge the charity sector, but charities should always be driving to ensure as much as possible of their income is being spent on their charitable activities.”*

*“Sector responses tend to border on the hysterical, but the size of today’s charity sector, and the amount of taxpayers’ money going to it, directly or indirectly, warrants a much higher degree of scrutiny. We are not calling for charities to be prevented from conducting trading activities or running charity shops. What we are questioning is the levels of quality controls, transparency and accountability.”*

*“To us, it is unacceptable that some major charities do not spend greater percentages of their income on the purposes for which they were established. Our hope is that this report will encourage a wider debate leading to a sector inspiring greater confidence and trust.”*

*“I accept that this report is likely to upset those who benefit from the inefficiencies of the sector or who are part of the established order, but that is a price worth paying; for all charities big and small.”*

**END**

For further information, please contact: Gina Miller

T: 020 7838 8650

[gina@trueandfairfoundation.com](mailto:gina@trueandfairfoundation.com)

**Editor’s Notes**

The True and Fair Foundation, [www.trueandfairfoundation.com](http://www.trueandfairfoundation.com), formerly known as Miller Philanthropy, was established in 2009 by Gina Miller, an ardent believer in conscious capitalism, philanthropy, and the charity sector; as well as a vocal campaigner for transparency, accountability, ethics and efficiency.

The Foundation uses the business and investment disciplines, principles, experience and expertise that Gina and her husband, Alan Miller, their team and their suppliers possess to better inform their philanthropic activities. The organisations and projects supported by the Foundation are dynamic,

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efficient, community based organisations making effective interventions with the most vulnerable in society, primarily in the UK.

The True and Fair Foundation also offers donors opportunities to give smarter. All research activities and Foundation costs are paid for by the Millers so 100% of any donations and support reaches the causes they support.

The Millers view giving as a social activity, a deployment of physical, intellectual, and financial capital that invests in society for future generations, thereby committing an act of humanity.