

FOCUS ON

Armed Forces Charities - Sector Trends

2019

Rhiannon Doherty
Anthony Robson
Stuart Cole



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Foreword



The UK has a strong and vibrant Armed Forces charitable sector, and this was highlighted in the first UK-wide *Strategy for Our Veterans* published in November 2018. In the Ministry of Defence, we continually work closely with many military charities and greatly value the support they offer. I welcome this latest report from the Directory of Social Change, funded by Forces in Mind Trust, on Armed Forces charities as it provides an important overview of this sector, with recent trends and changes.

The need for policy makers and service providers to consider the Armed Forces community from an evidence-based position, and with a proper understanding, features as one of the five cross-cutting factors in our Veterans Strategy. This report makes a helpful and significant contribution to this evidence base by increasing our understanding of the Armed Forces charity sector.

This *Sector Trends* report also highlights some interesting and important changes in the profile of the sector. There is confirmation that the sector is contracting in terms of the number of charities, with Association branches being particularly vulnerable to closure. This is probably unsurprising given the ageing demographic of our Veterans, with the number of Second World War Veterans reducing year-on-year.

It is particularly interesting to note the findings on mergers, due mainly to increased partnership and collaboration across all charity subsectors. Improving collaboration between organisations is another key aspiration of our Veterans Strategy, and the DSC's findings here demonstrate the great strides in this area which are already being made by Armed Forces charities.

In addition to the number of charities reducing, the sector's income is also falling. This financial pressure comes at a time when all charities are dealing with low levels of public trust, from which Armed Forces charities are not immune, and regulation is increasing. The high turnover of opening and closing charities is interesting and highlights a volatility of which I'm sure many people were unaware.

In these challenging times, I know the Armed Forces charity sector will continue to demonstrate the resilience and determination needed to support our Armed Forces Community and we are all extremely grateful for their work.

Lieutenant General Richard Nugee CVO CBE
Chief of Defence People, Ministry of Defence

About the authors

RHIANNON DOHERTY



Rhiannon is Senior Researcher on DSC's armed forces charities research. She has led on four *Focus On: Armed Forces Charities* reports since joining DSC in 2017 and has presented this work at several research conferences.

Rhiannon holds a BA (Hons) in English Literature and Communications. She also holds an MA in Politics and Mass Media from the University of Liverpool.

Before joining DSC, Rhiannon volunteered for a range of charities including NDCS and Oxfam.

ANTHONY ROBSON



Anthony joined DSC in 2017 as a Researcher on DSC's armed forces charities research. Along with undertaking research and writing reports, such as DSC's *Focus On: Armed Forces Charities* series, Anthony maintains the project's online database of forces charities.

Prior to joining DSC, Anthony volunteered as a high-school classroom assistant and also as a member of the Merseyside Police Cadet scheme.

Anthony holds a BA (Hons) in Modern History along with an MRes in English Literature and Cultural History from Liverpool John Moores University.

STUART COLE



Stuart is Research Manager for DSC's armed forces charities research, on which he has co-authored many of DSC's sector-leading reports, including the *Focus On* series.

Before joining DSC, Stuart held a post in public health research, working on projects in partnership with the World Health Organization, Alcohol Research UK and the NHS.

Stuart holds a BA (Hons) in Psychology and Sociology, an MSc in Applied Psychology, and a PGCE in Psychology. He is a qualified teacher and taught for five years before moving into applied research.

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About the Directory of Social Change

The Directory of Social Change (DSC) has a vision of an independent voluntary sector at the heart of social change. We believe that the activities of independent charities, voluntary organisations and community groups are fundamental to achieve social change. We exist to support these organisations in achieving their goals.

We do this by:

- providing practical tools that organisations and activists need, including online and printed publications, training courses, and conferences on a huge range of topics;
- acting as a 'concerned citizen' in public policy debates, often on behalf of smaller charities, voluntary organisations and community groups;
- leading campaigns and stimulating debate on key policy issues that affect those groups;
- carrying out research and providing information to influence policymakers, as well as offering bespoke research for the voluntary sector.

Since 2014, DSC has been commissioned by Forces in Mind Trust to produce research aimed at illuminating the armed forces charity sector. Now in its fifth year, the project has grown to include two *Sector Insight* (2014, 2016) reports and a searchable online database of armed forces charities, which exists as a free resource for members of the public.

DSC's *Focus On* reports are intended as short, easily digestible reports on individual areas of charitable provision. They are intended to inform those who work within the charity sector, policymakers, media professionals and members of the public interested in the work of armed forces charities. DSC will publish a total of six *Focus On* reports by 2019, of which this is the fifth. The previous reports are *Focus On: Mental Health* (2017), *Focus On: Education & Employment* (2017), *Focus On: Physical Health* (2018) and *Focus On: Housing* (2018). This report explores significant trends within the UK armed forces charity sector from 2012 to 2018.

For details of all our activities, and to order publications and book courses, go to www.dsc.org.uk, call **020 7697 4200** or email cs@dsc.org.uk

For details of our research, go to www.dsc.org.uk/research or email research@dsc.org.uk.

For more information on DSC's Armed Forces Charities project, or to download the reports, visit www.armedforcescharities.org.uk.

Executive summary

The charity sector is neither static nor homogeneous. Charities come and go as beneficiary needs change, economic and social pressures shift, and public support peaks and dwindles. Charities which serve the armed forces community are no exception to the changing face of the charity sector.

Examining trends in the armed forces charity sector can help us to understand not just the current size and shape of the sector, but also how the sector has changed; in turn, giving insights into where the sector may be heading in the future. Yet, to date, relatively little data exists on this topic, a deficit which DSC's latest *Focus On* report addresses.

Focus On: Armed Forces Charities - Sector Trends explores the number of armed forces charities operating, opening, closing and merging between 2012 and 2018. It also provides an overview of the sector's topography and financial trends during this period.

The report answers the following research questions:

- Is the sector growing, shrinking or remaining the same?
- Which types of charities are vulnerable to closure?
- What does analysis of the sector's finances reveal?
- What are the recommendations for future research and practice?

KEY FINDINGS

The sector has contracted since 2016

There are currently 1,888 armed forces charities operating in the UK. DSC's *2014 Sector Insight* report predicted that the sector would continue to contract until 2020 (Poza and Walker, 2014). The total number of armed forces charities has in fact, reduced by 65 between 2012 and 2018.

Throughout 2012 to 2016, the size of the sector remained relatively stable (growing by less than 1.1% per year). However, from January 2018 to July 2018, the sector has shrunk moderately by 4.5%.

Association branches appear to be in decline

Association branches are particularly vulnerable to closure. While they currently remain the most common type of charity (with 633 branches overall), they are closing at a rapid rate by comparison to the wider body of armed forces charities.

In total, 173 association branches closed during 2012 to 2018, accounting for over two-fifths (40.7%) of all closing charities during this period but only 5.8% of all new charity registrations. In 2018, there were 152 less association branches operating compared to 2012.

The welfare sub-sector is volatile, with a high turnover of opening and closing charities

The total number of welfare charities operating has remained relatively consistent from 2012 to 2018, with an overall increase of just 38 charities.

However, on closer inspection, this subsector is particularly volatile, with a high turnover of closing and opening charities. From 2012 to 2018, 135 welfare charities closed and 173 opened. This high turnover means that the cohort of welfare charities operating in 2018 is a considerably different group of organisations to those found in 2012. Close to a third (32.9%)

of all welfare charities to close throughout 2012 to 2018 had an operational lifespan of less than ten years.

The Scottish sector appears to be shrinking at a faster rate than the rest of the UK

The Scottish armed forces charity sector appears to be shrinking at a faster rate than the rest of the UK. Throughout 2012 to 2018, Scottish charities have been closing (N=111) at almost double the rate of those opening (N=56).

In contrast, the ratio of charities closing (N=314) and opening (N=282) in England and Wales throughout 2012 to 2018 stood at 1:0.9. While both sectors appear to be shrinking, Scottish charities are closing at a faster rate.

Much of the sector's income is generated by the largest 45 charities

As of July 2018, total sector income was £1.1 billion, and expenditure was £939 million, according to the latest financial accounts¹.

The sector's income is heavily reliant on the 45 largest charities, which represent only 2.4% of all armed forces charities, but generate the bulk (74.1%) of the sector's total income. In contrast, micro and small charities (N=1,319) make up three-quarters (74.5%) of all armed forces charities yet collectively, they contribute less than 2% of the sector's total income.

This largely mirrors trends within the wider charity sector, where finances are also dominated by the largest organisations.

Total sector income has grown annually from 2012

The collective income raised by armed forces charities has grown from 2012 onwards. Total sector income increased consistently each year from 2012 (£741 million) to 2015 (£1 billion) and then reduced marginally into 2016. Financial data for 2017 is limited to the first six months of the year, total sector income generated from January to June 2017 was around £644.4 million.

Average income experienced a growth of 10.8% in 2014 but otherwise, remained relatively stable throughout the period, fluctuating between -3.5% and 5.2% growth each year.

Welfare charities' account for two-thirds of income

Welfare charities account for approximately two-thirds of all income (66.6%) and spending (67.8%) alike. As the type of forces charity most reliant on public donations, analysis of welfare charities' income provides useful insights into trends in public giving.

There have been challenges in the armed forces charity sector within recent years, including a lack of visible conflicts post Iraq and Afghanistan, calls to consolidate the sector and a substantial amount of negative media attention (Ashcroft 2014, Haynes 2017, Radajev 2016).

However, welfare charities largely weathered the storm throughout 2012 to 2016. During this period, despite the fluctuation in the number of closing and opening welfare charities, the average income of welfare charities as a whole, remained relatively steady, within a range of £1.7 million to £1.9 million.

1. This is based on the latest financial accounts available, of which 0.2% related to the 2017/18 financial year, 19.0% were 2017, 49.7% were 2016/17, 23.0% were 2016, 6.8% were 2015/16 and 1.1% were 2015 data.

RECOMMENDATIONS AND FURTHER RESEARCH

Researching support from mainstream charities

Many mainstream charities now operate veteran-specific programmes, with notable examples including Alabaré, Shelter, Step Together, The Royal Foundation, and Venture Trust. Although these charities fall outside of DSC's definition of an armed forces charity, they undoubtedly provide a valuable source of support to the armed forces community, with many actively working alongside armed forces charities².

The provision delivered by mainstream charities is a worthy topic of further research and raises some interesting questions. Firstly, to what extent do mainstream charities support the armed forces community and how well are they equipped to do so? Secondly, do members of the armed forces community prefer to access help from armed forces charities and are they better placed to deliver these services?

Assess regional need and existing support

This report has provided a broad overview of armed forces charities operating at the national level, including a breakdown of those registered in England and Wales, Scotland and Northern Ireland. However, more work is needed to assess the level of provision available at the regional level and identify high-priority areas which may face gaps in provision.

On a positive note, the 2021 census will include questions targeted at the armed forces population for the first time. The Covenant have also funded a 'Map of Need' (commissioned in April 2017), to examine which veterans and armed forces families' services are being sought and where (MOD, 2017). When published, both may help researchers to gain a better understanding of current levels of need and highlight geographical areas which would benefit from the additional presence and support of armed forces charities.

Improving methods of identifying armed forces charities

Identifying armed forces charities is a hugely complex task. Regulatory sites do not currently offer comprehensive methods of finding armed forces charities. Although the CCEW (Charity Commission for England and Wales) provides an 'Armed Forces and Emergency Services Efficiency' tag (code 114), in practice, this has limited application and incorporates other blue-light service providers.

This has obvious implications for anyone who wishes to search for armed forces charities or to undertake independent analysis of the sector. DSC, therefore, proposes introducing a universal tag across all three regulator sites which would make it easy for all interested parties to accurately search for armed forces charities. There would of course be an onus on the charities themselves to adopt the tag, which could be encouraged by the three regulators.

2. For DSC's definition of an armed forces charity, see page xi.



Introduction

FOCUS OF THE REPORT

This introductory chapter establishes the scope of the research, provides background information and outlines the methodology undertaken. It is divided into the following sections:

- Focus of the report
- DSC's classification of armed forces charities
- Terminology
- Methodology

To date, relatively little data has been gathered on the extent to which the armed forces charity sector has changed within recent years. *Focus On: Armed Forces Charities - Sector Trends* documents significant trends within the sector throughout 2012 to 2018.

This report investigates the number of armed forces charities operating in the UK and highlights patterns of opening, closing and merging charities. It provides a broad overview of the different types of armed forces charity and presents a comprehensive analysis of charities' finances to examine the sector's financial topography over the past six years.

It is beyond the scope of this report to analyse the many contextual factors underpinning any trends observed in the sector; however, certain possibilities are discussed in chapter four. Furthermore, this report does not make comments or value judgements on the effectiveness of armed forces charities. Instead, its purpose is to hold an objective mirror to the armed forces charity sector and provide an account of how this sector has changed since 2012.

Undoubtedly, members of the armed forces community may seek additional support elsewhere, for instance from the wider charity sector, community interest companies and local authorities. However, this report focuses exclusively on those charities whose main purpose is to serve the armed forces community and that, therefore, meet DSC's definition of an armed forces charity, as outlined below.

DSC'S CLASSIFICATION OF ARMED FORCES CHARITIES

This report follows the definition of an armed forces charity in DSC's 2016 *Sector Insight* report:

'Charities that are established specifically to support past and present members of the armed forces and their families (the armed forces community). In this context, an armed forces charity must be able to apply this definition to their beneficiaries.'

(Cole and Traynor, 2016)

When DSC published its first report on armed forces charities (Poza and Walker, 2014), the number of UK armed forces charities was reported as being approximately 2,200. In undertaking the 2014 *Sector Insight* report, DSC researchers adopted a wide interpretation of what constituted an 'armed forces charity' in an attempt to quantify what level of charitable provision existed, a question which had never before been answered.

Since then, the focus of DSC's research has been refined to look more closely at those charities directly serving the armed forces community. The current total excludes all cadet organisations, which accounted for 500 charities in the 2014 *Sector Insight* report. Cadet organisations have been excluded from all of DSC's armed forces reports since 2016 on the basis that they are - by their own admission - not firmly affiliated with the armed forces,

and their beneficiaries (the cadets themselves) are not necessarily members of the armed forces community.

Notably, association branches were excluded from the previous reports in the *Focus On* series, due to the fact that their charitable activities did not align with *Focus On* topics. DSC's analysis found that association branches typically concentrate on social activities and comradeship rather than welfare provision. Moreover, when delivered, welfare activities were typically limited to making small benevolent grants. Throughout earlier *Focus On* reports, association branches were therefore represented by their centralised corporate bodies. They are, however, all included in this report in order to provide a complete picture of the sector.

It is appreciated that certain heritage and memorial charities may not directly serve the armed forces community, and therefore a small number of heritage and memorial charities have been excluded, with each being considered for inclusion on a case-by-case basis.

Other organisations do of course deliver support for the armed forces community. Many mainstream charities now operate veteran-specific programmes, with notable examples including Alabaré, Canine Partners, The Amicus Trust, The Royal Foundation and Venture Trust. Nevertheless, they do not meet DSC's definition of an armed forces charity as established at the outset of the project in 2014, given that their primary charitable purpose is not helping the armed forces community. As such, they are not featured in this report.

TERMINOLOGY

For the purposes of this report, and in keeping with the language used in DSC's 2014 and 2016 *Sector Insight* reports (Poza and Walker, 2014; Cole and Traynor, 2016), the term 'ex-Service personnel' refers to individuals who have served in the UK armed forces (for at least one day). The term 'serving personnel' refers to individuals who are currently employed in the armed forces.

The term 'spouses/partners' refers to the partners of serving and ex-Service personnel; it also includes divorced and separated spouses as well as widows and widowers. The term 'dependants' refers to children (under the age of 18) of serving and ex-Service personnel. When referring to all of the above (ex-Service personnel, serving personnel and their families), the term 'armed forces community' is employed.

For the purposes of this report, and in keeping with the language used in DSC's 2014 and 2016 *Sector Insight* reports, the terms 'association', 'association branch', 'heritage', 'mixed', 'Service funds' and 'welfare' are used when categorising UK armed forces charities. For definitions of each charity type, please see page one.

METHODOLOGY

Identifying armed forces charities

DSC maintains an online database which currently contains information on 1,888 armed forces charities. At the outset of this report, the researchers undertook a rigorous search of three charity regulator databases – those of CCEW (Charity Commission for England and Wales), OSCR (Office of the Scottish Charity Regulator) and CCNI (Charity Commission for Northern Ireland) – in order to identify charities which were not already contained in DSC's database.

Identifying armed forces charities is a complex process, largely because there is no pre-formulated method of easily finding them via regulators' sites. Some regulators do have limited systems in place for identifying armed forces charities. For example, CCEW provides an 'Armed Forces/Emergency Services Efficiency' tag. However, this category also incorporates charities supporting other blue-light services, such as the police, firefighters and ambulance services.

Moreover, not all armed forces charities use the 'Armed Forces/Emergency Services Efficiency' tag or define themselves as such. In fact, many of the largest, most well-known armed forces charities – such as The Royal British Legion, SSAFA and Help for Heroes – do not use the tag. As such, this search method cannot be relied upon to return an accurate list of armed forces charities. OSCR and CCNI currently have no such equivalent tagging system in place.

Therefore, in order to identify UK armed forces charities, DSC undertook a comprehensive keyword search across the three national charity regulator databases³. The researchers updated and expanded upon the keyword list used in DSC's 2014 *Sector Insight* report to undertake the most accurate search of armed forces charities to date.

The initial list of 15 keywords compiled for the 2014 *Sector Insight* report was extended to 37, incorporating 22 new terms relating to armed forces charities. The researchers analysed charities held in DSC's existing data set to hone and refine the keyword selection. Examples of new keyword additions included 'ex-Service', 'PRI' (President of the Regimental Institute) and 'wounded'. New terms were also added to reflect the socio-political context of different search areas; for example, 'security forces' was added to aid the search for Northern Irish charities.

Researchers downloaded the exportable versions of the OSCR and CCNI regulatory databases and CCEW data extract files in July 2018⁴. Keyword searches on both charity name and charitable objective(s) were then conducted to identify charities of relevance to this report.

CCEW's records can only be accessed via a Microsoft SQL database; therefore, Microsoft SQL Server software was used to download and interrogate the data. The researchers designed and tested multiple keyword queries to identify armed forces charities, using wildcard³ to help return the maximum number of search results.

In order to be included in this report, all charities returned in the keyword search had to meet DSC's definition of an armed forces charity (see page xi). To ensure that they met this criterion, DSC looked for specific evidence of charities carrying out activities which supported the armed forces community beyond their names and regulator classifications.

During the keyword searches, a large volume of charities were returned which were not relevant to the report. One such example was the Salvation Army's branches and a number of affiliated charities, which, despite containing the keyword 'army', do not serve the armed forces community. Each charity returned via keyword search was individually assessed by the researchers to ensure that it was valid for inclusion.

A number of charities appeared to meet DSC's definition of an armed forces charity on face value but on closer inspection failed to meet the criteria and were excluded from the report. For example, war memorial halls which were initially established to commemorate Service personnel but now exist to provide social spaces for the inhabitants of their local areas.

This report explores trends in the UK charity sector from 2012 to 2018. It is important to note that only charities which were active as of July 2018 are featured in this report. The 2012 to 2018 period was selected as the timeframe for analysis as consistent data was not available across all three regulator sites before 2012.

All charities found in regulator databases which met DSC's definition of an armed forces charity and were active as of July 2018 were placed into a Microsoft Excel file alongside DSC's existing database. A search was then performed on charity registration numbers to identify and remove duplicate entries. Further searches were conducted on the membership lists of Cobseo and Veterans Scotland. Finally, the researchers undertook a systematic keyword search using the Google and Bing search engines.

3. See appendix for a full list of keywords and a definition of 'wildcard' searches.

4. Data extract files are files containing information on data sources such as databases, allowing the data to be analysed and searched so that relevant information can be found. CCNI data was retrieved following a freedom of information request.

As mentioned previously, DSC's methodology for searching for armed forces charities has evolved considerably since 2014, enabling researchers to carry out more comprehensive searches. Improvements to the accessibility of OSCR and CCNI data have also allowed for much more in-depth analysis of Scottish and Northern Irish charities to be carried out than was previously possible. These improvements in search techniques and the accessibility of data enabled DSC to discover 209 charities that were registered prior to 2014 but not identified during the data collection for the 2014 *Sector Insight* report.

Analysing Financial data

The financial data used in this report was taken from financial accounts and annual reports which were submitted to the UK charity regulators before the cut-off date of 2 July 2018. Data from financial accounts was gathered using Microsoft SQL Server queries and through regulators' websites.

All available financial accounts submitted between 2012 and 2018 were analysed. Of the most recent financial accounts available, 0.2% related to the 2017/2018 financial year, 19.0% related to 2017, 49.7% related to 2016/2017 and 23.0% related to 2016. Of the remainder, 6.9% were taken from 2015/2016 accounts and 1.1% from 2015. In total, 6.1% charities had no available accounts. Of these, 4.6% were not yet required to submit accounts due to their newly registered status, while the remaining 1.5% of charities had late or overdue accounts.

Armed forces charities are highly collaborative, they frequently make grants to fellow armed forces charities and often have complex referral pathways. This means that inevitably, there is some recycling of funds within the sector. The process of tracking expenditure from one charity to another, through to its end beneficiaries across multiple organisations, is not possible to achieve reliably based on current financial reporting requirements.

Therefore, there is likely to be an element of double counting when calculating income and expenditure figures, which cannot be controlled in the analysis. Although, it's not possible to control for this element of double counting, the use of averages and broad financial trends displayed give an indication of income and expenditure relative to one another.

In terms of accessing financial data on removed (closed) charities, DSC was reliant on the information provided by the charity regulators, which is inconsistent across the three bodies; while OSCR provides financial accounts for removed charities dating back to 2012, CCEW and CCNI do not. Therefore, the decision was taken to omit financial data for removed charities from the financial analysis.

Throughout chapters two and three, financial data is presented across a six-year period. The total number of financial records available for analysis changes per year, as charities come and go or meet the reporting threshold for enhanced data (see page 33). Researchers, therefore, also calculated averages for the available data to mitigate against the possibility of trends being skewed by the varying number of financial records available each year.

The cut-off date for data collection was July 2018. DSC wished to present all available data at the time of analysis, therefore, the first six months of 2017 financial data is included in the analysis. As of July 2018, 65.2% of all charities had submitted accounts for the 2017 financial year.

However, several of the largest charities had yet to submit their 2017 accounts as of July 2018. This included, The Royal British Legion, SSAFA and The Black Stork Charity who represented the largest income generators in preceding years, collectively, generating around £248.8 million in 2016. Therefore, the absence of their financial records has the potential to significantly underrepresent income and expenditure trends for 2017.

As a result, it was not possible to present a complete account of 2017, and readers should bear this in mind when viewing 2017 financial data in chapters two and three, which appears in grey within the charts.

Charities by registration location

Figure 1



DSC examined the split of charities by registration location. Figure 1 shows the percentages of charities registered with each national regulatory body⁵.

Charities registered exclusively with CCEW accounted for 83.4% (N=1,575) of all charities.

Charities registered exclusively with OSCR accounted for 13.3% (N=251) of all charities.

Cross-border charities (those registered with both CCEW and OSCR) accounted for 2.1% (N=40) of all charities.

Charities registered with CCNI accounted for 1.2% (N=22) of all charities⁶.

DSC is confident that the data on charities presented in this report is comprehensive and accurate as of final data-collection and refinement date (2 July 2018).

5. Note: Data is given as percentages of all armed forces charities (N=1,888).

6. DSC identified eight charities registered solely with CCEW which operated in Northern Ireland, despite not being registered with CCNI.

CHAPTER ONE

How many armed forces charities are there?

1.1 INTRODUCTION

Chapter one is focused on measuring the size of the UK's armed forces charity sector from 2012 to 2018 to investigate whether the sector shrank, remained the same or grew in size. This chapter provides a snapshot of the sector in 2018 and documents significant changes over the preceding six years. It includes the following topics:

- Total number and different types of armed forces charities
- Registration locations of armed forces charities
- Trends in opening, closing and merging armed forces charities

1.2 NUMBER AND TYPES OF UK ARMED FORCES CHARITIES

In total, DSC identified **1,888** UK armed forces charities operating as of July 2018⁵. The armed forces charity sector is complex and diverse, comprising a wide range of organisations with different charitable objects, activities, operating models and beneficiary groups.

Therefore, DSC has divided armed forces charities into six distinct categories, each representing a specific type of armed forces charity. This method of categorisation was first introduced in DSC's 2014 *Sector Insight* report (Pozo and Walker, 2014). The six types of charity and their defining features are as follows:

- **Welfare charities** deliver 'relief in need' through services or grants across many areas of support, such as housing, health care, education and employment.
- **Service funds charities** provide facilities, services and/or grants to improve the morale and well-being of Service personnel and their families, for example, adventure training.
- **Heritage charities** preserve armed forces history and carry out remembrance activities, examples include memorials and museums.
- **Associations** carry out social gatherings and membership activities to maintain and foster comradeship. Some associations also deliver welfare activities and benevolent grants.
- **Association branches** are localised branches attached to an association corporate body. They provide social gatherings and membership activities.
- **Mixed-type charities** combine multiple aspects of the above categories.

5. This figure includes 633 association branches, which were excluded from DSC's previous *Focus On* reports. Please see the 'Methodology' section (page xii) for further information.

There were also two **common investment funds (CIFs)**, which are not covered by any of the above classifications. CIFs are pooled investment funds set up specifically for charities and providing access to a range of assets (including equity, bonds, property and cash). As retained funds are not currently being distributed to beneficiaries, they cannot be classified by type; however, they remain in the overall analysis.

1.2.1 Welfare charities

There were 489 welfare charities as of July 2018. 'Welfare' is a broad category which encompasses a huge range of services, such as health care and rehabilitation, housing, education, employment and other forms of advocacy and support. Grant-makers are also included in the welfare category, both those which make benevolent grants to individuals and those which issue grants to organisations that support welfare provision for the armed forces community.

The largest and most well-known forces organisations tend to be welfare charities; examples include The Royal British Legion, SSAFA and Help for Heroes. Welfare charities are perhaps the model of charity most familiar to the British public, whereby charities primarily raise funds from public donations to help individuals in need.

1.2.2 Service fund charities

There are currently 307 Service funds registered across the UK. Service fund charities play a fundamental role in Service life, existing to raise the morale and the social and physical well-being of Service personnel and often their immediate families.

The needs of Service personnel and their families are largely met by Ministry of Defence (MOD) provision. Service funds therefore exist to supplement existing sources of public funds. For example, a Service fund charity may provide services that the MOD does not fund, such as adventure training. It may also fill gaps in existing provision, for example, by delivering temporary accommodation in an area where there is a shortage of MOD housing stock or providing day-care facilities in a base where existing childcare provision is stretched.

Service funds adhere to separate CCEW regulations. Until 2016, Service funds were exempt from registering with CCEW providing that they existed wholly or mainly for the promotion of armed forces efficiency. From 2016 onwards, Service funds have been required to register with CCEW if they have an income over £100,000 per year (a £5,000 threshold exists for other charities) or any of the following apply: they own land, they benefit people other than the armed forces community or they carry out the exhibition and preservation of historical artefacts.

It is estimated that there are thousands of Service fund charities operating below the £100,000 income threshold, which could boost the current estimate of 307 (Pozo and Walker, 2014). The majority of those unaccounted for are most likely small funds connected to armed forces bases.

1.2.3 Heritage charities

There are 327 armed forces heritage charities in the UK, just under half (47.4%) of which are museums. The rest are made up of memorials, historical societies, educational initiatives, preservation trusts and commemorative organisations.

There exists a degree of debate about whether heritage charities serve the direct interests of the armed forces community or exist for the benefit of the general public, with DSC's 2014 *Sector Insight* report arguing the latter (Pozo and Walker, 2014).

Heritage charities' core charitable object is to promote the efficiency of the armed forces and to educate or raise public awareness of them. These charities have been included in this report to provide a comprehensive picture of the armed forces charity sector.

The rationales for including each heritage charity have been assessed on a case-by-case basis. Any charities which were not deemed to directly serve the armed forces community

were removed, for example, war memorial halls, which were initially established to commemorate Service personnel but now exist to provide social spaces for the inhabitants of their local areas.

1.2.4 Associations and association branches

A total of 633 association branches are registered throughout the UK, stemming from 81 parent associations. Each branch has its own unique charity number and, in most instances, operates autonomously from its parent body.

A tiny number of large associations are responsible for the vast majority of local branches. Over 90% (92.3%) of all association branches in England and Wales belong to four parent organisations:

- Royal Air Forces Association (N=247)
- Royal Naval Association (N=138)
- Royal British Legion Scotland (N=123)
- The Parachute Regimental Association (N=76)

DSC has identified 633 association branches in the UK. However, thousands of small association branches likely go unregistered due to the fact that their income falls below CCEW's reporting threshold of £5,000. Branches which are not financially autonomous from their parent organisations are also unlikely to register as separate entities (Pozo and Walker, 2014).

1.2.5 Mixed-type charities

Boundaries between charity types can often be blurry. Mixed-type charities deliver a range of services and cannot be neatly categorised into one distinct type of charity.

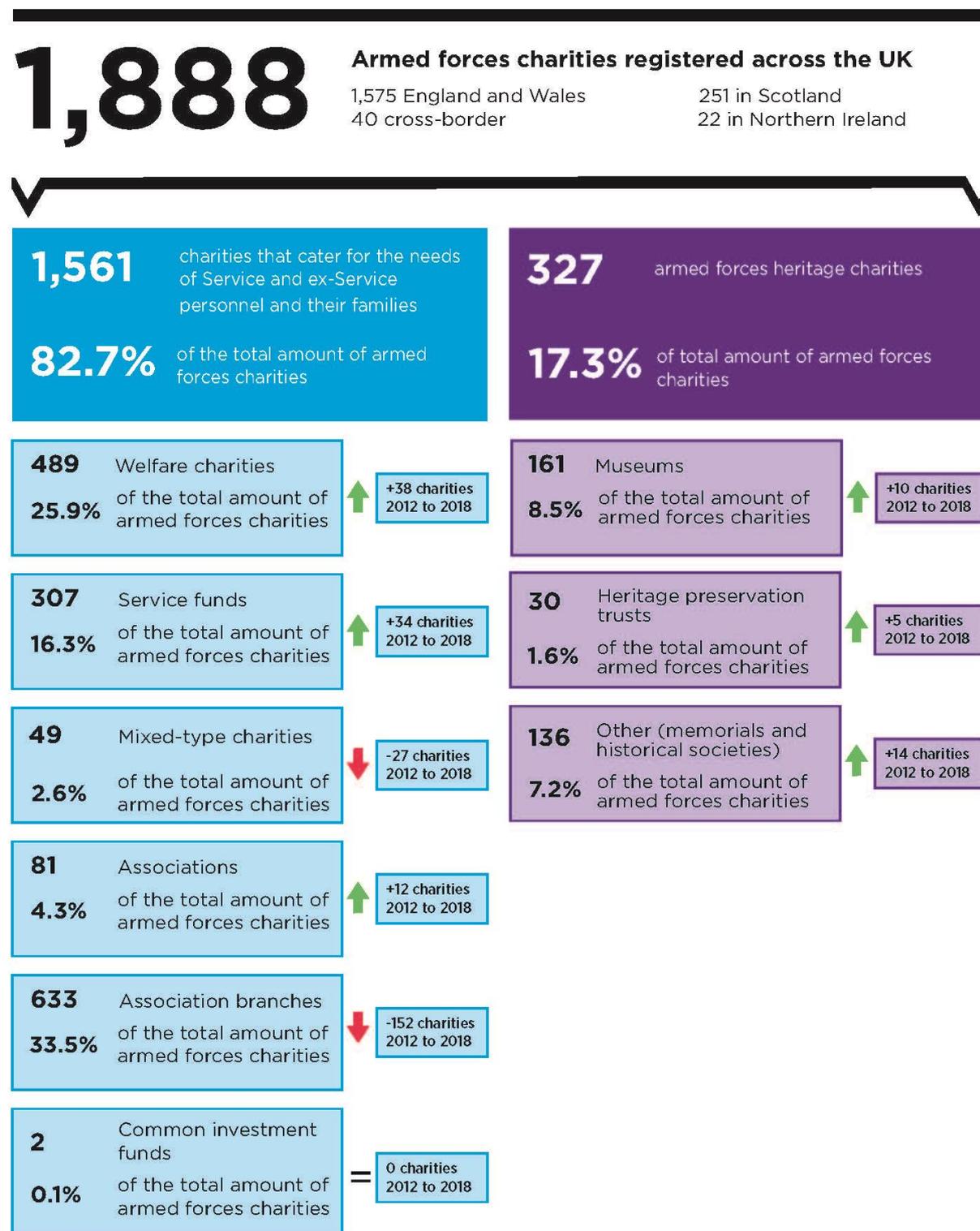
There are 49 mixed-type charities in the UK, over half (51.0%) of which deliver a combination of welfare and Service funds (N=25). The majority of these are regimental charities, which deliver Service funds (for example, adventure training or mess equipment) but also provide individual benevolent grants to serving regiment members and their families.

The second most common type of mixed charity combines welfare and heritage organisations (N=22). An example of which, is a museum providing educational programmes and social activities for ex-Service personnel.

1.2.6 Number of charities by type

Figure two (page four) shows the total number of charities operating as of July 2018 split by charity type. The infographic also displays whether the total number of charities in each category has increased, decreased or remained the same since 2012, as indicated by the arrows. For a full analysis on patterns of opening and closing armed forces charities, see section 1.4 (pages six to 15).

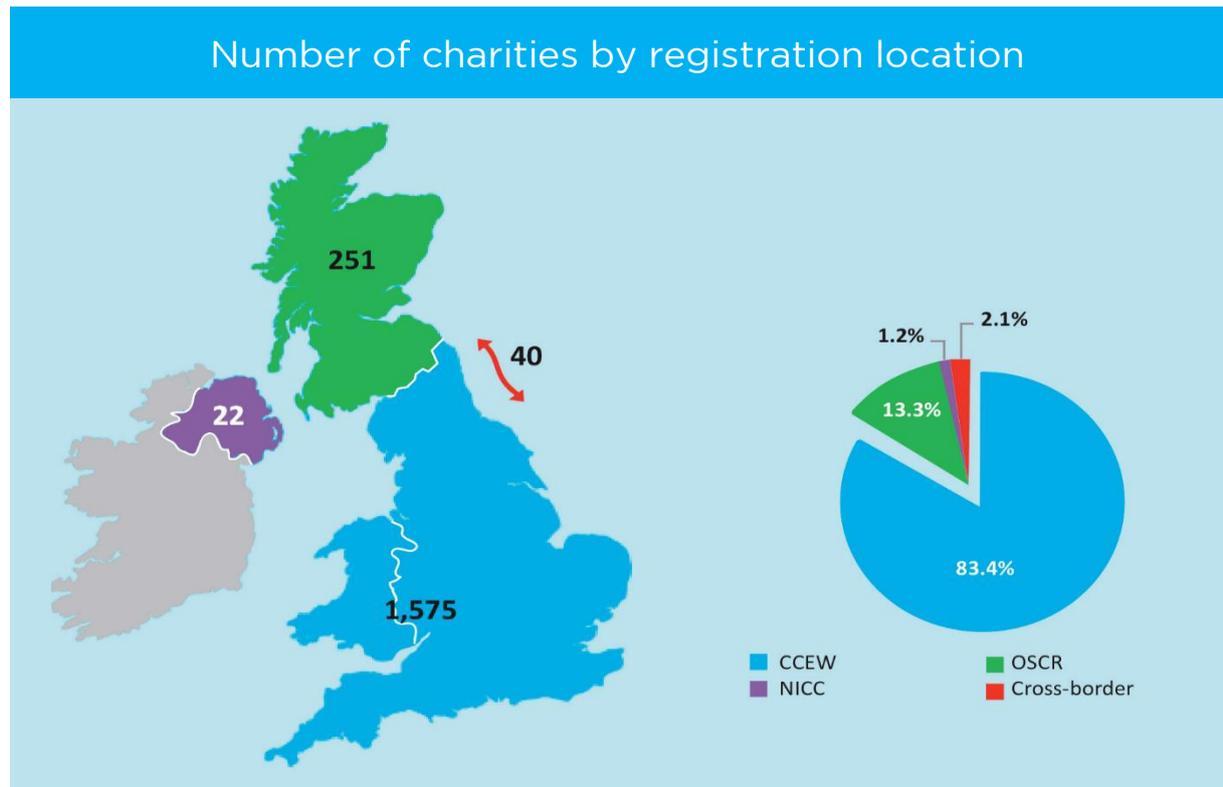
Figure 2



1.3 NUMBER OF ARMED FORCES CHARITIES BY LOCATION

Figure three shows the number of armed forces charities by registration location. Over four-fifths (83.4%) of UK armed forces charities are registered in England and Wales (N=1,575) and 13.3% of charities are registered in Scotland with OSCR (N=251). Only 1.2% of charities are registered with the Charity Commission for Northern Ireland (CCNI) (N=22). The remaining 2.1% (N=40) are cross-border charities, which are dually registered with both CCEW and OSCR and operate across England and Wales as well as Scotland.

Figure 3



Note: The data in the pie chart is given as percentages of all armed forces charities (N=1,888).

1.3.1 England and Wales

There are currently 1,615 armed forces charities operating in England and Wales, including 40 cross-border charities. It is difficult to accurately determine how many charities operate in Wales, as many charities broadly define their 'area of benefit' as being 'throughout England and Wales', despite only operating in one country. DSC identified 64 charities which have registered a Welsh postal address with CCEW.

1.3.2 Scotland

There are currently 291 armed forces charities in Scotland, 251 of which operate solely in Scotland and 40 of which are cross-border charities, operating in Scotland as well as in England and Wales.

1.3.3 Northern Ireland

There are currently 22 armed forces charities registered with CCNI. At present, charities registered with CCEW which operate on a national scale are not legally required to register separately with CCNI in order to carry out charitable activities in Northern Ireland.

DSC has identified eight additional charities which are registered solely with CCEW but operate in Northern Ireland, bringing the total number of charities serving Northern Ireland's armed forces community to 30. This includes well-known charities such as The Royal British Legion and SSAFA.

1.4 OPENING, CLOSING AND MERGING CHARITIES

This section examines how many armed forces charities opened and closed between 2012 and 2018. It investigates which types of charity were most likely to open and, conversely, which types were more vulnerable to closure over this period. The researchers also investigated the frequency of charity mergers and drew upon existing literature to explore the potential benefits of consolidation.

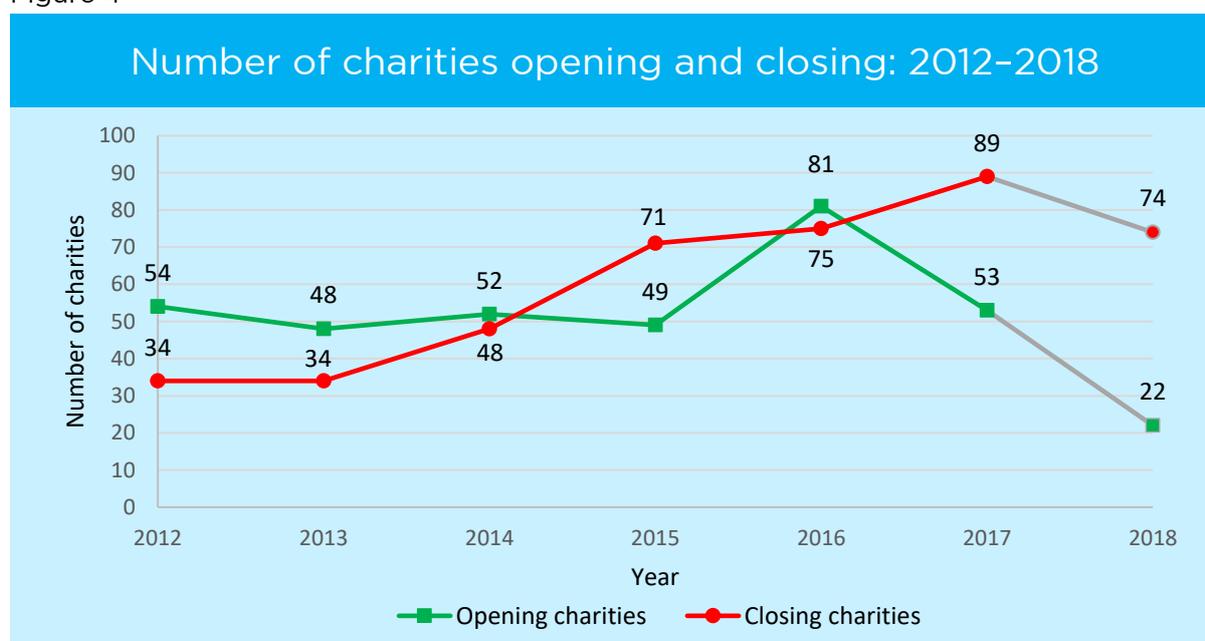
1.4.1 Charity openings and closures: 2012–2018

Between 2012 and 2018, a total of 425 armed forces charities closed and 360 opened based on the available data held by the three charity regulators (CCEW, OSCR⁷ and CCNI).

Figure four shows the number of charities that opened and closed per year from 2012 to 2018. The number of newly registered charities remained relatively consistent year on year, with the exception of a spike in 2016 (from 49 to 81). However, this spike was relatively short lived, with total registrations dropping back to average levels (N=53) in 2017.

The number of armed forces charities closing per year has increased continuously from 2012, peaking at 89 charity closures in 2017. However, this was largely offset by an unusually large number of newly registered charities in the previous year (N=81).

Figure 4



Note: The number of charities opening per year are displayed by the green trend lines whereas the number of charities closing per year are displayed in red.

7. OSCR's database appeared to show an unusually high number of charity removals in 2012, DSC corresponded with OSCR who confirmed this was due to an administrative error and provided accurate figures.

From 2017 onwards, there appears to be a widening deficit between the number of charities opening (N=75) and those closing (N=163). Since 2017, charities have closed at more than double the rate of those opening, indicating that the sector is shrinking. It should be noted that the figures for 2018 are incomplete (as illustrated through the use of grey trend lines). As of July 2018 (the cut-off for data collection) the sector had shrunk by 52 charities during the year to date. DSC will monitor whether this trend continues into the latter half of 2018 and beyond.

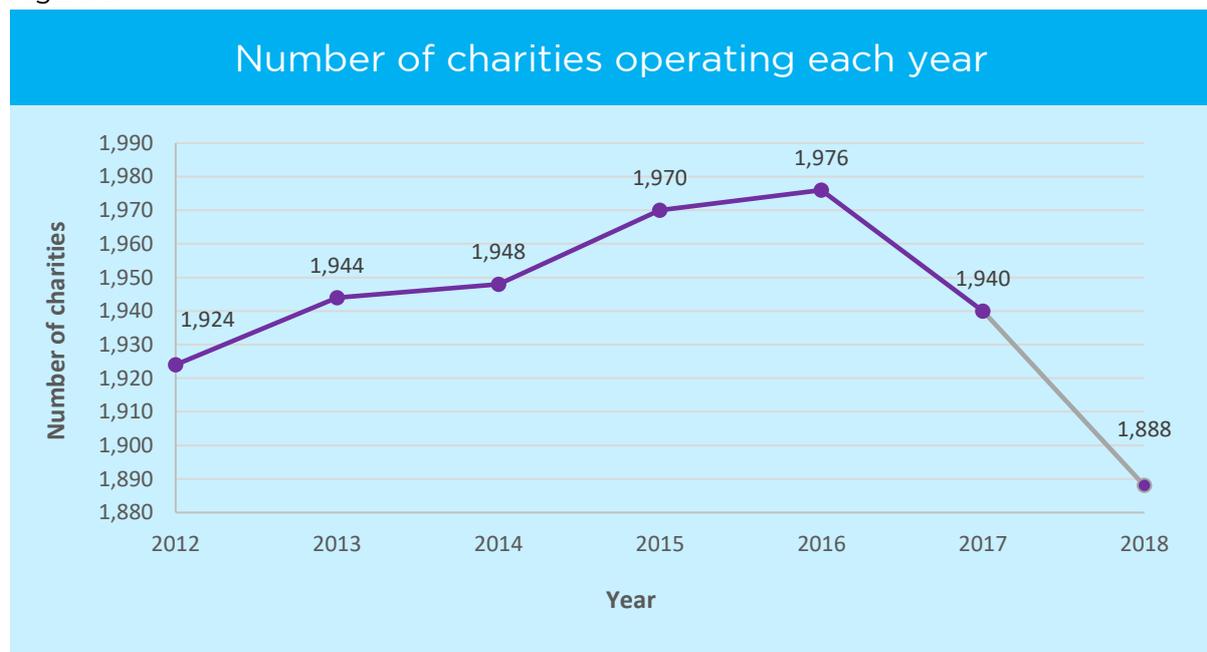
1.4.2 Total number of charities by year: 2012–2018

Capturing data on the number of charities that opened and closed each year enabled the researchers to retrospectively calculate the approximate number of charities that operated at the end of each calendar year from 2012 to 2018 ⁸.

As shown in figure five, the number of armed forces charities remained relatively steady throughout 2012 to 2016, growing at a marginal rate of less than 1.1% per year.

After 2016, the number of charities began to decline. At the end of data collection (July 2018), the number of armed forces charities was at its lowest level (N=1,888) since 2012. However, this decline is occurring at an extremely gradual rate, with the sector shrinking by 1.9% between 2016 and 2017 and a further 2.7% between 2017 and 2018.

Figure 5



Note: data was collected by retrospectively calculating the approximate number of charities operating per year using statistics on charity openings and closures.

8. The amount of data held on removed charities varies between the charity regulators. DSC used the available data on opening and closing charities to retrospectively calculate the approximate number of charities operating each year.

1.4.3 Is the sector growing, shrinking or remaining the same?

DSC's 2014 *Sector Insight* report provided the first comprehensive overview of how many armed forces charities were operating in the UK (Pozo and Walker, 2014). At the time of writing, 1,737 armed forces charities were identified⁹.

During the research for the current report, DSC identified 1,888 armed forces charities operating as of July 2018. On face value, it could appear that the sector had grown by around 150 charities over the previous four years. Yet, as illustrated in figures four and five the size of the sector remained steady from 2012 to 2016 (growing by less than 1.1% per year) and appears to have been gradually shrinking since 2016 (the sector declined by 4.5% from 2016 to July 2018). In real terms the size of the armed forces charity sector has shrunk by 65 charities from January 2012 to July 2018.

The inclusion of some 150 new charities since the 2014 *Sector Insight* report until now does not indicate real-term sector growth but can instead be explained by DSC's evolving methodology. Notably, improvements in search techniques have enabled the researchers to identify previously undiscovered charities.

For example, during the data collection for this report, 194 new charities were discovered which operated during or before 2014 but were not identified during the data collection for the 2014 *Sector Insight* report.

The ability to identify new charities has been further bolstered by the launch of CCNI's online database and improvements to the accessibility of OSCR's data since 2014, which have enabled researchers to conduct more accurate searches for Northern Irish and Scottish charities. For instance, DSC's 2016 report *Sector Insight: Armed Forces Charities in Scotland* uncovered an additional 129 Scottish charities not included in the 2014 *Sector Insight* analysis (Cole and Traynor, 2016).

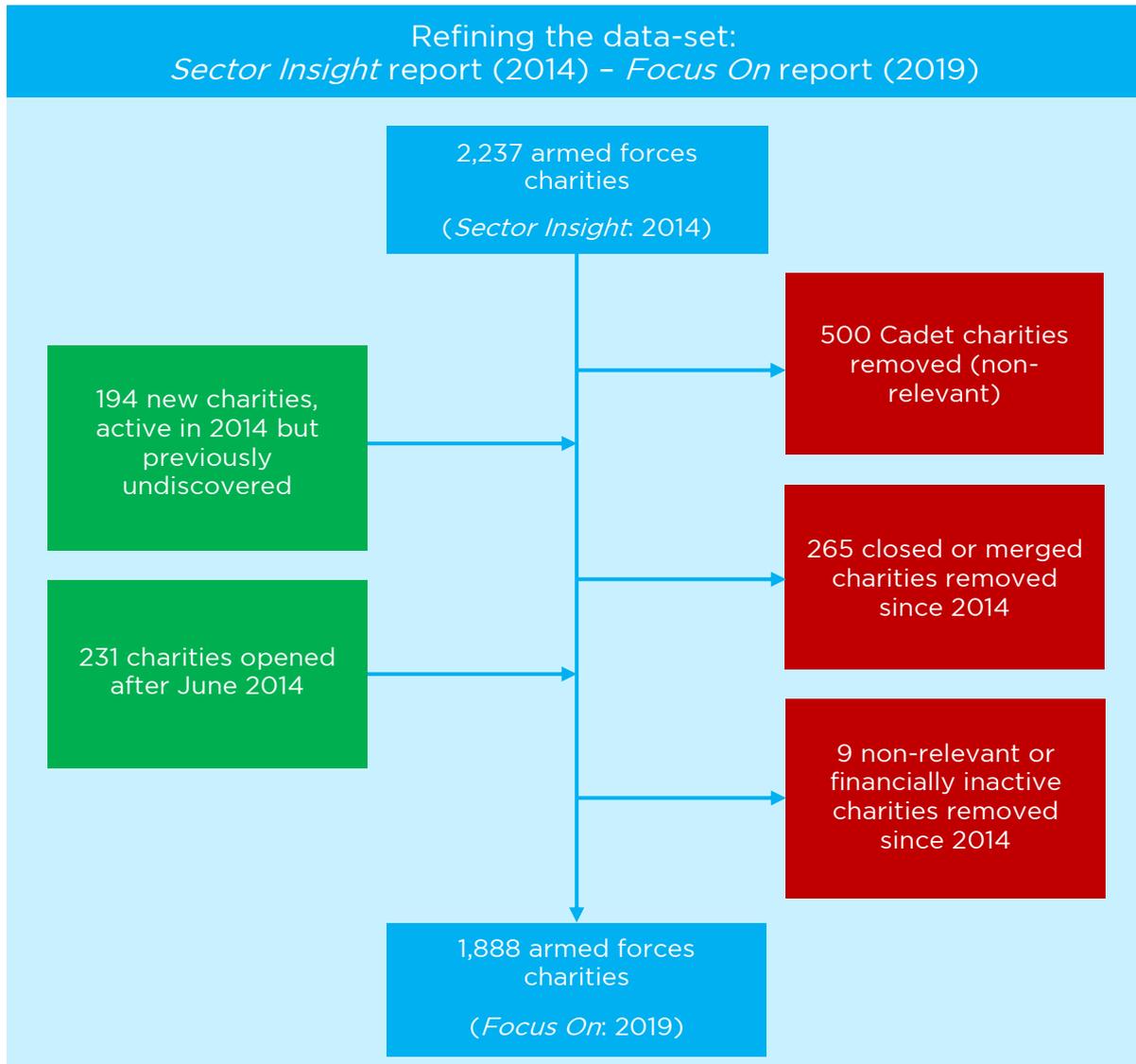
The current report was not designed as a sequel to DSC's 2014 *Sector Insight* report (Pozo and Walker, 2014). This report's objective is to track broad longitudinal sector trends rather than provide a comprehensive overview of the sector.

DSC cautions against drawing direct comparisons between the key findings of the 2014 *Sector Insight* report and this report, as DSC's methodological approaches have evolved considerably since 2014, creating a different data-set.

Figure six provides an overview of the inclusion process for charities during data collection for this report. The flow chart illustrates DSC's evolving methodology on a step-by-step basis to show how the initial sample of 2,237 charities found during the 2014 *Sector Insight* report was updated and refined to form the 1,888 armed forces charities included in this report.

9. Excluding cadet charities, which were not deemed to directly support the armed forces community.

Figure 6



Note: Figure 6 shows the methodological steps undertaken to refine the data-set of armed forces charities from DSC's 2014 *Sector Insight* report until now (for analysis on the rate of sector growth, see figures four and five).

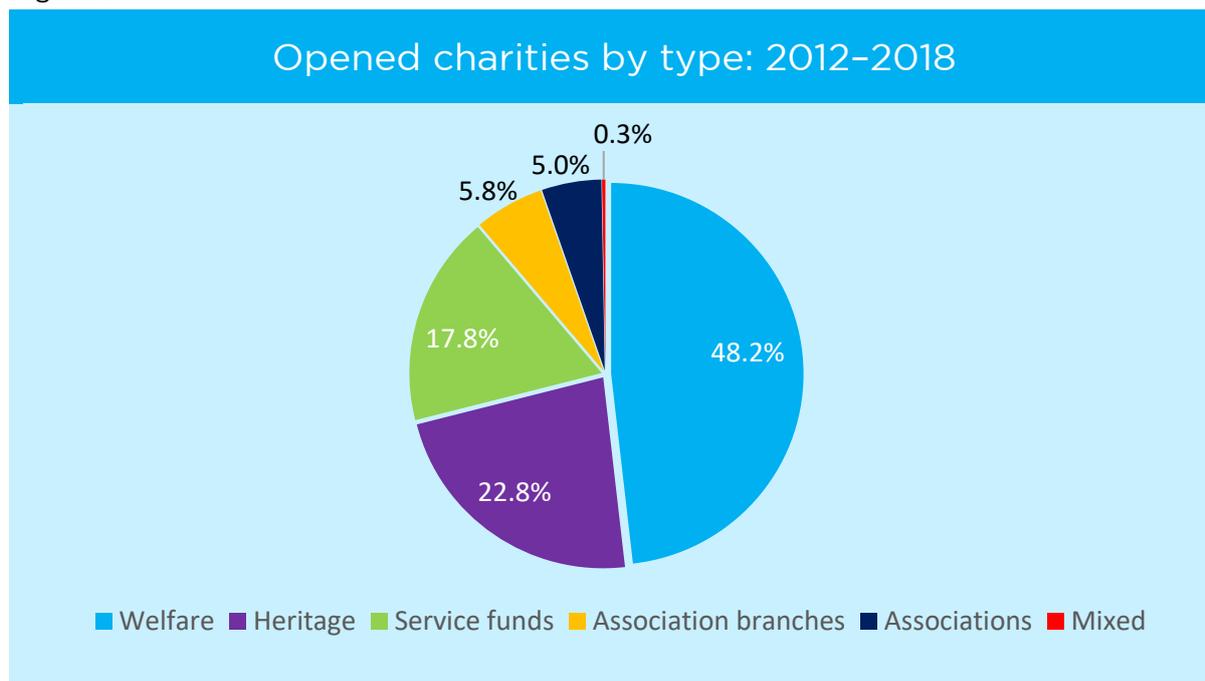
1.4.4 A closer look at newly registered charities

In total, 360 charities opened between 2012 and 2018. As shown in figure seven, almost half (48.2%) of all new registrations were welfare charities (N=173).

Heritage charities were the second most common type of charity to open, representing over one-fifth (22.8%) of newly registered charities (N=82). This included 27 museums, 26 memorials, ten preservation trusts and 19 other heritage charities, such as historical societies and educational programmes.

The least common types of newly registered charities were mixed-type (0.3%), followed by associations and association branches, which represented only 5.0% (N=18) and 5.6% (N=21) of all charities which opened between 2012 and 2018.

Figure 7



Note: The data is calculated as a percentage of all charities which opened between 2012 and 2018 (N= 359).

Case study 1: RECENTLY REGISTERED CHARITY Naval Families Federation

The Naval Families Federation (NFF) registered with the Charity Commission in 2018. The organisation was initially established in 2003 at the request of the government to provide Naval Service families with a platform to have their voices heard by those in positions of power.

The NFF originally worked under the umbrella of Dame Agnes Weston’s Royal Sailor’s Rest. It became a separate registered charity in 2018 in order to be able to continue delivering the service it provides under its grant-in-aid arrangement with the MOD, as well as projects funded through other sources (NFF, 2017).

The decision to become a charity in its own right was driven by a desire to put the organisation’s beneficiaries first and informed by a strategic review. Having charitable status has enabled NFF to focus on a very clear set of strategic objectives and benefit from the additional layer of support and expertise that comes with a dedicated group of trustees.

The NFF offers Royal Naval and Royal Marines families an independent voice and representation, while also providing support and guidance on a wide range of issues affecting daily life. Its vision is for all Royal Naval families to feel valued, be treated with fairness and respect, and thrive in their communities of choice.

In order to operate independently of the government and the chain of command, the NFF is funded through grant-in-aid, alongside funding from Greenwich Hospital (NFF, 2018). LIBOR (London Interbank Offered Rate) funding of over £110,000 has also enabled the NFF to deliver a project to help support dispersed Royal Navy families (NFF, 2017).

The NFF collaborates with other armed forces organisations to meet its charitable objects, for instance through Cobseo membership. The NFF also recently worked alongside Forces in Mind Trust, the Army Families Federation and the RAF Families Federation to publish research on Service families experience of transition.

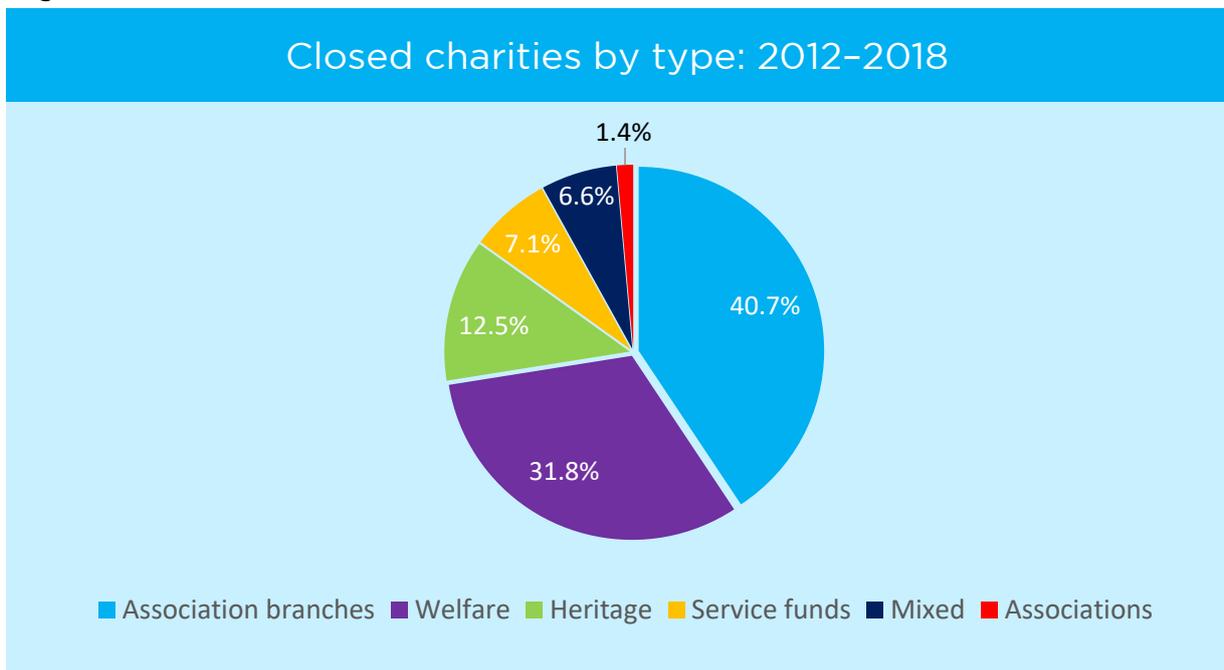
1.4.5 A closer look at closing charities

In total, DSC identified 425 charities which closed between 2012 and 2018. Figure eight shows that over two-fifths (40.7%) of charities which closed during those six years were association branches (N=173).

Interestingly, association branches were also among the least likely types of charity to open during this period, representing only 5.8% of all newly registered charities between 2012 and 2018 (N=21). Although they currently remain the most common type of armed forces charity (with 633 branches in total), association branches appear to be declining in popularity.

Almost a third (31.8%) of closing charities were classified as welfare charities (N=135). However, this trend is counterbalanced by the fact that welfare charities also represented almost half (48.2%) of all newly registered charities (N=173).

Figure 8



Note: data is calculated as a percentage of all charities which closed between 2012 and 2018 (N=425).

1.4.6 Closing charities: which types of charities are in decline?

Figure nine shows the number of opened and closed charities between 2012 and 2018 for each type of charity and displays the variance (positive or negative difference) between the two figures.

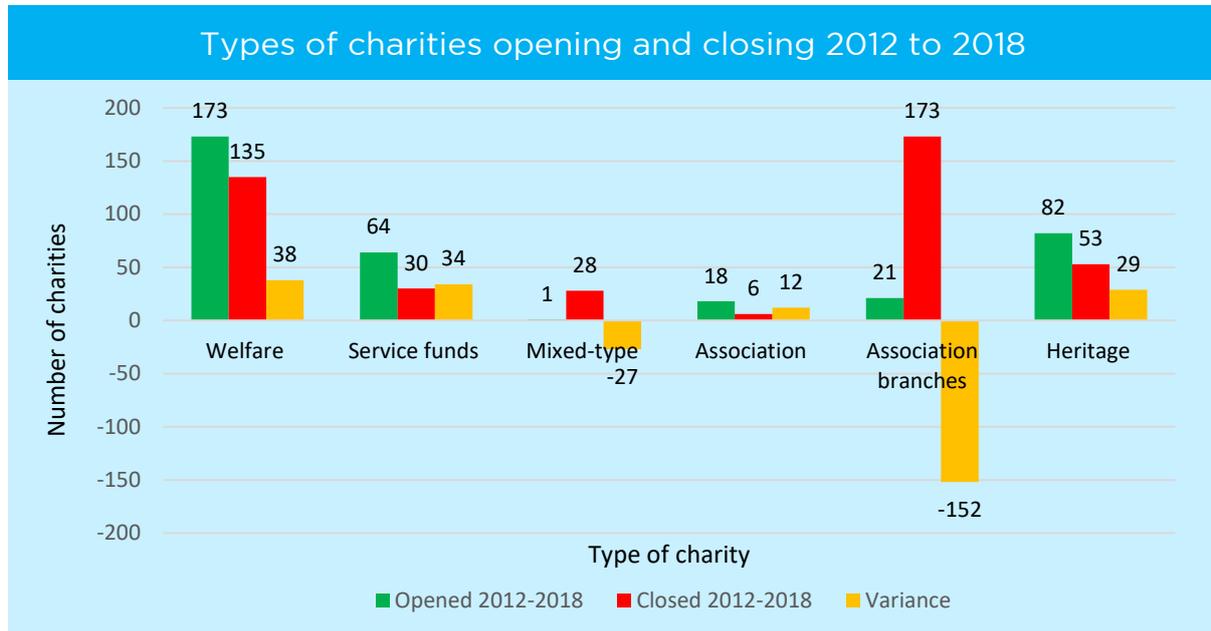
In total, the number of welfare charities increased by 38 from 2012 to 2018. Although this represents a relatively small variance overall, welfare charities are a particularly volatile subsector, with a high turnover rate of closing and opening charities.

2012 to 2018 saw a large shift in the number of welfare charities opening (N=173) and closing (N=135). As a result, the cohort of welfare charities in 2018 is considerably different to the collective operating in 2012.

The number of Service funds charities increased marginally (N=34), along with heritage charities (N=29) and associations (N=12).

As discussed previously, association branches appear to be in rapid decline, shrinking by a total of 152 branches between 2012 and 2018. Mixed-type charities also showed a moderate decline (of 27 charities).

Figure 9



DSC examined the total number of charities opening and closing between 2012 and 2018 (see figure nine), finding that welfare charities appeared to be a particularly volatile group. Researchers also investigated the rate at which welfare charities were opening and closing per year, the findings of which are shown in figure ten.

Between 2012 and 2017, more welfare charities were opening than closing, although only marginally in 2015 (N=1) and 2017 (N=3). However, in the first six months of 2018 alone, welfare charities closed (N=27) at three times the rate of those opening (N=9).

Figure 10

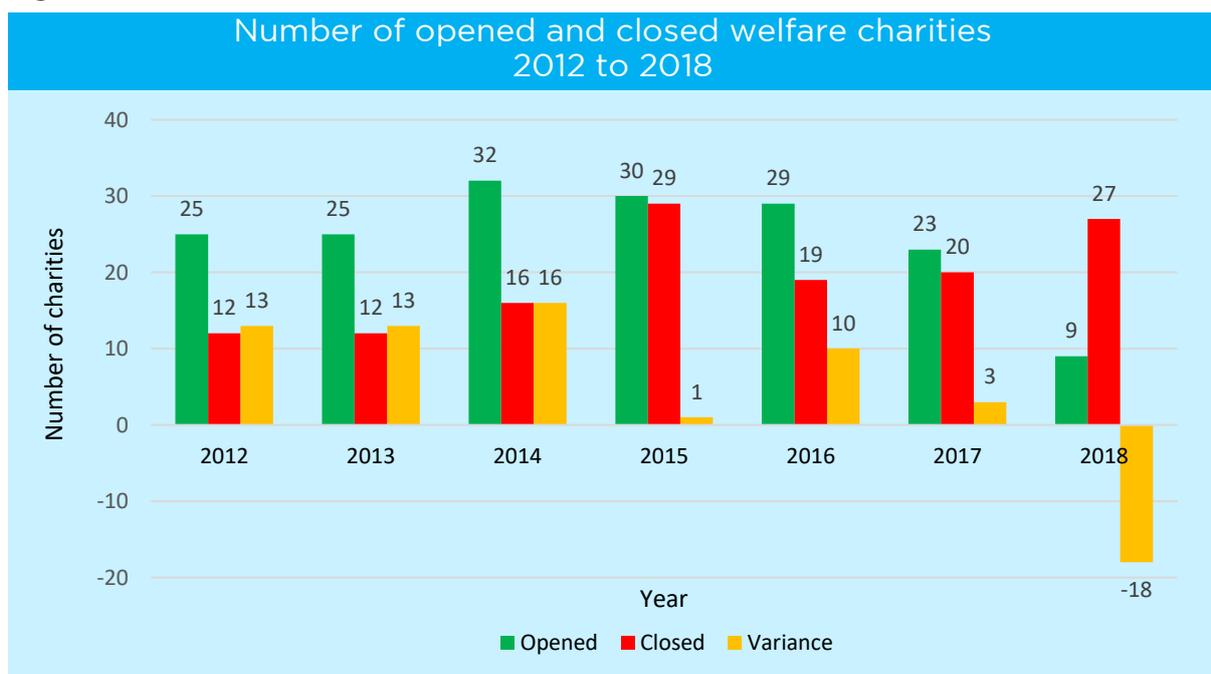
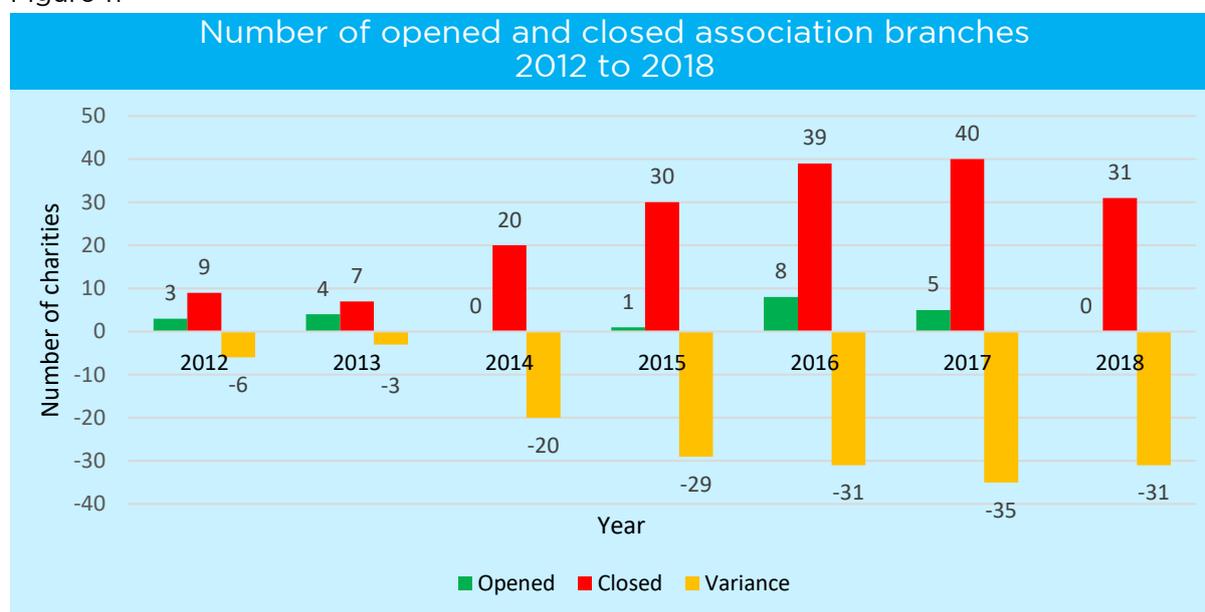


Figure ten also shows the variance (difference) between the number of opening and closing charities. Between 2012 and 2014, the variance remained relatively consistent, with charities opening at twice the rate of those closing during this period. However, from 2015 to 2017 the variance reduces, as welfare charities begin to open and close at a more similar rate and the sector becomes more volatile. During 2018, the variance dramatically increases as charities close at three-times rate of those opening. However, data is limited to the first six months of the year, DSC will continue to monitor this trend throughout 2019 and beyond.

DSC examined the total number of charities opening and closing between 2012 and 2018 (see figure nine), finding that association branches appeared to be at particular risk of decline. Researchers further investigated the rate of opening and closing association branches per year, the findings of which are shown in figure 11.

The number of association branches opened between 2012 and 2018 was consistently low, ranging between zero and eight charities per year (mean avg. 3 charities per year). The number of closing branches was consistently higher than those opening each year. Since 2013, branches began to close at a more accelerated rate, reaching a peak of 40 closures in 2017.

Figure 11



The widening gulf between opening and closing association branch charities since 2014, is indicative of a continual annual decline, rather than the result of a particularly difficult year or period. Despite a small increase in new charity registrations in 2016 and 2017, the variance (difference) between the number of charities closing and opening has continued to grow steadily each year from 2014¹⁰.

1.4.8 Opening and closing charities by location

Of the 425 armed forces charities which closed throughout 2012 to 2018, almost three-quarters (73.9%) were removed from CCEW (N=314) and one-quarter (26.1%) from OSCR (N=111). During this period no Northern Irish charities were removed from CCNI, most likely because the regulator is relatively new.

Proportionately, Scottish charities seem to be closing at a much faster rate than the rest of the UK, 111 represents a substantial number of charity closures over a six-year period given that only 291 charities currently operate in Scotland (including 40 cross border charities).

10. 2018 data is taken from available data at the time of writing and spans only the first six-month of 2018 (January to June).

From January 2012 to July 2018, 56 new Scottish charities registered with OSCR (including 15 cross-border charities) whereas 111 closed. This means that Scottish charities have been closing at twice the rate of those opening¹¹.

In contrast, the ratio of charities closing and opening in England and Wales currently stands at 1:0.9 (there were a total of 282 new charity registrations and 314 removals from CCEW between 2012 to 2018). While both sectors appear to be shrinking, Scottish charities are closing at a much faster rate.

In keeping with trends in the wider sector, a large proportion (63.1%) of Scottish charities to close during 2012 to 2018 were association branches. In total, 70 Scottish branches closed throughout this period.

Although regulator data gives a good indication of the number of charities opening on the national level, it's not currently possible to analyse charity registrations and closures taking place at the regional level as beneficiary areas on regulatory databases are not consistently defined. Further research would be required to investigate whether any regions are suffering from large numbers of charity closures.

Case study 2: CHARITY CLOSURE The Guinea Pig Club

During the Second World War, pioneering plastic surgeon Sir Archibald McIndoe established a treatment centre at Queen Victoria Hospital, Sussex, to treat aircrew who had sustained life-changing injuries and disfigurements as a result of their service.

In addition to delivering reconstructive surgeries, McIndoe recognised the importance of mental rehabilitation for his patients, who were encouraged to socialise with one another and integrate with the local community.

The patients soon formed an informal social club, which they named The Guinea Pig Club to reflect the experimental nature of McIndoe's innovative treatments. The members included aircrew patients and the hospital staff who treated them. In order to join, aircrew members had to be serving airmen who had gone through at least two surgical procedures.

With McIndoe's encouragement, the Guinea Pigs did not hide away with their injuries, but instead led full, active lives. They challenged the existing perception that disabilities were life-limiting and went on to mentor new generations of burns victims, including Service personnel injured in the Falklands, Iraq and Afghanistan conflicts.

What began with 39 patients grew to 649 by the end of the Second World War and included Americans, Australians, Canadians, Czechs, French, New Zealanders and Poles. The RAF Benevolent Fund supported The Guinea Pig Club since its inception and provided assistance by funding grants and social activities for many of its members over the years.

Annual reunion meetings took place until 2007 and attracted members from all over the world. In 2007, due to the members' increasing age and fragility, the decision was taken to wind the club down. In 2016, it was reported that there were only 17 Guinea Pig members remaining and the charity was removed from CCEW in 2018.

The closure of The Guinea Pig Club represents wider shifts in the sector: many charities established during the First and Second World Wars have seen their beneficiary populations gradually decline. This has led to the natural closure of several charities, while others have chosen to redefine their objects and expand their beneficiary reach in order to continue operating.

11. OSCR's database appeared to show an unusually high number of charity removals in 2012, DSC corresponded with OSCR who confirmed this was due to an administrative error and provided accurate figures.

1.4.9 A closer look at charity mergers

DSC identified 31 charity mergers from 2012 to June 2018¹². The vast majority (93.5%) of mergers took place between charities solely operating in England and Wales (N=29) and two were cross-border. Almost two-thirds (64.5%) of newly merged charities were welfare charities, the remaining were heritage charities (22.6%) and Service funds (12.9%).

Lord Ashcroft's 2014 transition review expressed concern that the large number of UK armed forces charities created a 'maze of welfare organisations' which was 'hugely difficult to navigate' (Ashcroft, 2014). Lord Ashcroft called for a 24/7 single point of contact for service users, which has since been delivered in the form of the Veterans' Gateway (Ashcroft, 2017).

Since 2014, there has been considerable consolidation of the sector through increasing collaboration and mergers. Mergers not only offer advantages for service users (by reducing the number and complexity of choice available) but also present opportunities for armed forces charities to operate more effectively. By merging with another organisation with similar charitable objects, armed forces charities may stand to benefit from shared resources and expertise and greater public awareness of their cause.

A recent report by New Philanthropy Capital (NPC) examined armed forces charities' potential for collaboration, focusing primarily on grant-makers as a microcosm of the wider sector (NPC, 2018). NPC identified significant opportunities for mergers within the sector, particularly among charities in the 'squeezed middle', where 22 large and major charities that annually bring in over £100 million could be consolidated (NPC, 2018). An example of a successful charity merger is outlined in case study 3.

Case study 3: CHARITY MERGER

The Royal Marines Charity and the Royal Marines Association

In January 2018, after extensive consultation, it was announced that The Royal Marines Charity and The Royal Marines Association would merge. Work is currently underway to address the necessary practicalities in bring the two charities together. The merger aims to deliver:

- a single network for comradeship, benevolence, heritage, transition and amenities;
- more effective delivery of services for all beneficiaries and members;
- improving the delivery of proactive and preventative care through comradeship;
- increased cost-efficiency and sustainability through reduced overheads and reduced costs;
- removal of perception of competition between the corps charities;
- improved transparency of delivery, with improved staff and financial resilience.

The Royal Marines Charity was itself formed via a merger in 2016, between The Royal Marines Charitable Trust Fund and The C Group. The new charity provided:

- a single point of contact for requests from beneficiaries;
- a single point of contact for support from donors;
- a platform for increased membership of The Royal Marines Association;
- a unified brand with significant profile and credibility, fit to serve the corps.

In October 2018, The Royal Marines Club (registered as Commando999) also became a branch of the Royal Marines Association. The merger, which is currently scheduled for 1 April 2019, will effectively bring four charities into one, under its new title 'RMA - The Royal Marines Charity'.

The Royal Marines Charity and the Royal Marines Association merger provides a great example of multiple charities with similar objects (supporting the Royal Marines) working together to share resources and expertise.

12. A total of 27 armed mergers were identified by searching CCEW's register of merged charities (CCEW, 2018). CCNI's register of merged charities did not include any armed forces charities and OSCR does not publish a register of charity mergers. An additional four mergers were discovered by researchers performing online searches.

1.5 CHAPTER ONE SUMMARY

Number of armed forces charities by type

DSC identified 1,888 armed forces charities, including 489 welfare charities, 307 Service funds and 327 heritage charities. There are a total of 81 associations with 633 local association branches. A further 49 charities are of mixed type, delivering a combination of the above.

Number of armed forces charities by registration location

In total, 575 charities are registered with CCEW, which represents over four-fifths (85.5%) of all UK armed forces charities. A further 251 charities are registered with OSCR and 22 are registered with CCNI. DSC also identified 40 cross-border charities, which are dually registered with CCEW and OSCR. These operate across England and Wales as well as Scotland. An additional eight charities are registered with CCEW and currently operate in Northern Ireland, despite not being registered with CCNI.

Opening, closing and merging of armed forces charities

DSC explored trends in the opening, closing and merging of armed forces charities, finding that 425 charities closed between 2012 and 2018 while 359 charities opened. In real terms the sector has shrunk by 65 charities from the start of 2012 to July 2018.

Which types of charities are vulnerable to closure?

Welfare charities are a particularly volatile sector, with the highest turnover rate between closing (N=135) and newly opened (N=173) charities. Association branches appear to be in decline, as of July 2018 there were 152 less branches compared to 2012. This chapter also explored consolidation within the sector, finding evidence of 31 charity mergers since 2012.

CHAPTER TWO

An overview of financial trends

2.1 INTRODUCTION

This chapter provides a snapshot of armed forces charities' income and expenditure in 2018 and delivers a retrospective longitudinal analysis of income and expenditure over a six-year period (2012–2017), including:

- Income and expenditure by each type of charity
- Income and expenditure by small, medium and large charities
- Longitudinal changes in sector income and expenditure
- Welfare charities' income and expenditure trends

2.2 INCOME AND EXPENDITURE: 2018 SNAPSHOT

As of July 2018, total annual sector income was approximately **£1.1 billion** and total expenditure was **£939.1 million** based on the most recent financial accounts published by charities¹³.

Financial data was available for 93.9% of armed forces charities (N=1,772). For the 6.1% of charities (N=116) which did not have financial accounts available, 86 were newly registered and therefore not yet required to submit accounts, four had overdue accounts and 26 had not submitted accounts since 2015 (which was used as the cut-off date for 'recent' financial records).

2.2.1 Income and expenditure by charity type

Figure 12 shows the total amounts of income and expenditure generated by each type of charity (for definitions of charity types, please see page one).

Welfare charities accounted for the largest shares of income and expenditure, accounting for approximately two-thirds of the total income (66.6%) and spending (67.8%) across the sector. As mentioned previously, the welfare category includes many of the largest, most well-known armed forces charities, such as SSAFA, The Royal British Legion and Help for Heroes. Welfare charities tend to actively pursue donations from the public through national fundraising campaigns; they also attract corporate sponsors and receive grants from other organisations.

The forms of provision delivered by welfare charities tend to require significant resources and large commitments of expenditure. Examples include providing accommodation, delivering physical rehabilitation programmes, and running and staffing advice centres.

13. Data was taken from the latest available financial accounts, of which 0.2% related to the 2017/2018 financial year, 19.0% related to 2017, 49.7% related to 2016/2017, 23.0% related to 2016, 6.9% related to 2015/2016 and 1.1% related to 2015.

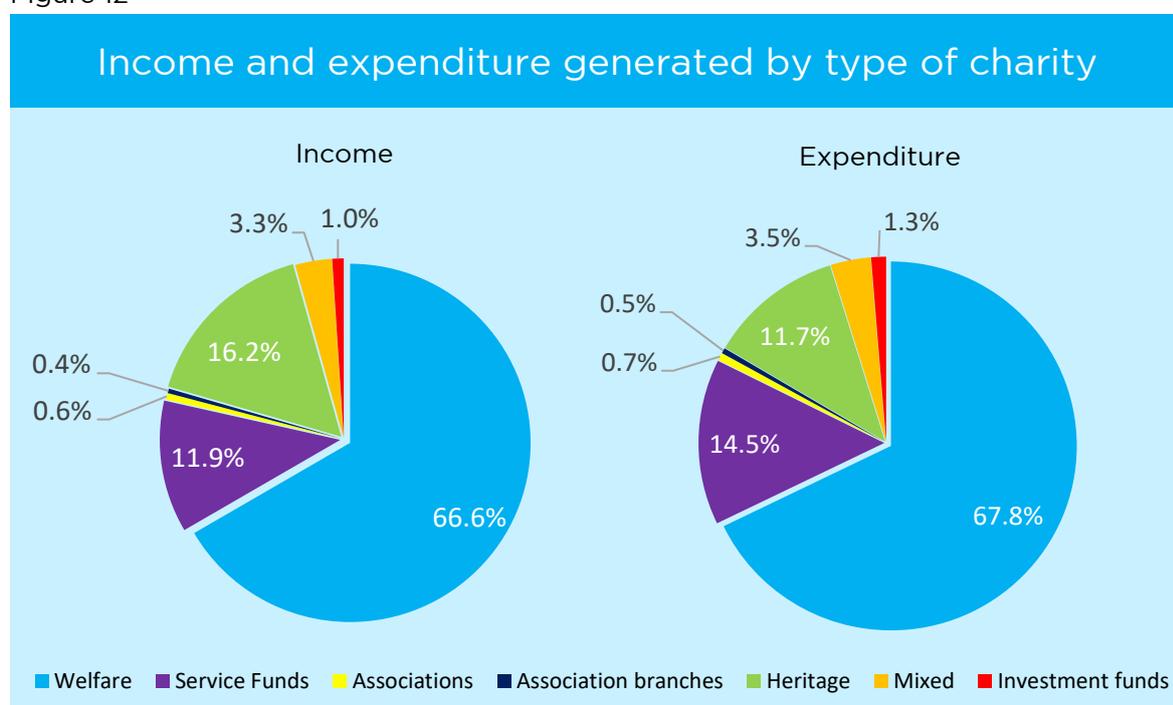
Service funds and heritage charities commanded the next greatest amounts of resources and expenditure. According to the latest accounts, heritage organisations contributed 16.2% of the sector’s total income and carried out 11.7% of all spending. Service fund charities accounted for 11.9% of total income and 14.5% of sector spending.

Despite the fact that association branches are the most common type of charity (with 633 branches in total), association branches (and their corresponding corporate bodies) contributed tiny fractions of overall income and spending, cumulatively accounting for only 3.3% of income and 3.5% of expenditure.

With a few exceptions, associations are not fundraising organisations, instead relying on membership subscriptions as a primary source of income. Association branches may occasionally receive grants from other armed forces charities to fund activities or commemorative events, but by and large they rely on members’ contributions.

Associations (and association branches) may generate little income but their expenditure is also relatively minimal. It may include maintaining a meeting space, funding social events and, occasionally, providing small welfare grants.

Figure 12



Note: data is calculated as a percentage of total income (£1.1 Billion) and expenditure (£939.1 million) according to the latest financial accounts.

2.2.2 Income and expenditure by charity size

DSC split charities into several distinct groups based on their financial size. Income brackets set out by CCEW (2018a) were used to establish the initial five size categories. Additionally, NCVO’s concept of a super major charity was drawn upon to create a sixth size category (NCVO, 2018). Table 2 displays the name of each category, its income range and the total number of charities grouped into each category.

Table 2

Charities split by income group		
Income bracket	Size category	Number of charities
£0 to £10,000	Micro	820
£10,000 to £100,000	Small	499
£100,000 to £500,000	Lower-medium	297
£500,000 to £5 million	Upper-medium	111
£5 million to £100 million	Large	44
Over £100 million	Super major	1

Note: The income brackets are taken from CCEW's website (CCEW, 2018a), with the exception of the term 'super major', which is taken from NCVO's *UK Civil Society Almanac* (NCVO, 2018).

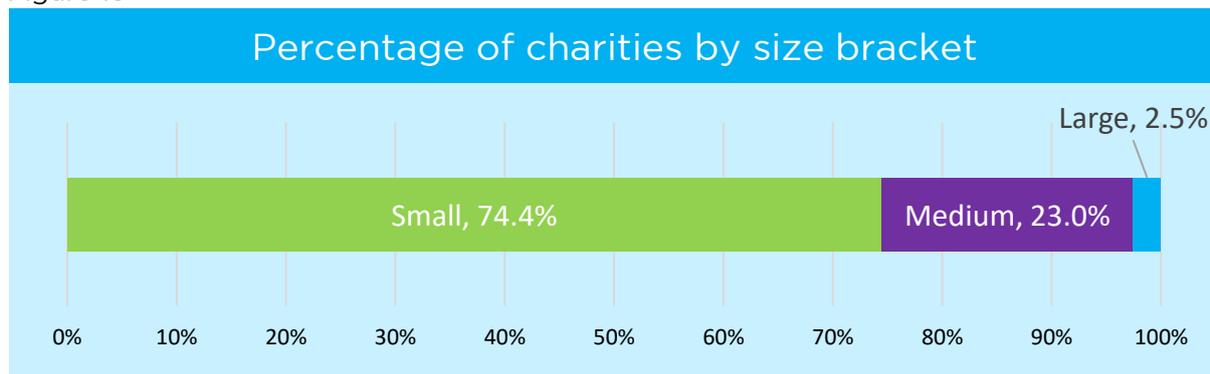
Figure 13 shows the number of charities in each size category as percentages of all armed forces charities (N=1,888). Figure 14 shows the income contributed by the charities in each size category as percentages of the sector's total income (N=£1.1 billion).

The six size categories shown in table 2 have been condensed into three categories for the purpose of illustrating broad financial trends between small, medium and large charities. Micro and small charities are represented in green, medium charities appear in purple, and large and super major charities are represented in blue within figures 13 and 14.

As shown in figures 13 and 14, large and super major charities account for only 2.5% of all armed forces charities yet generate almost three-quarters (74.1%) of the armed forces charity sector's income. In total there are 45 charities in this category, which between them contribute £820 million per year, according to the latest financial accounts.

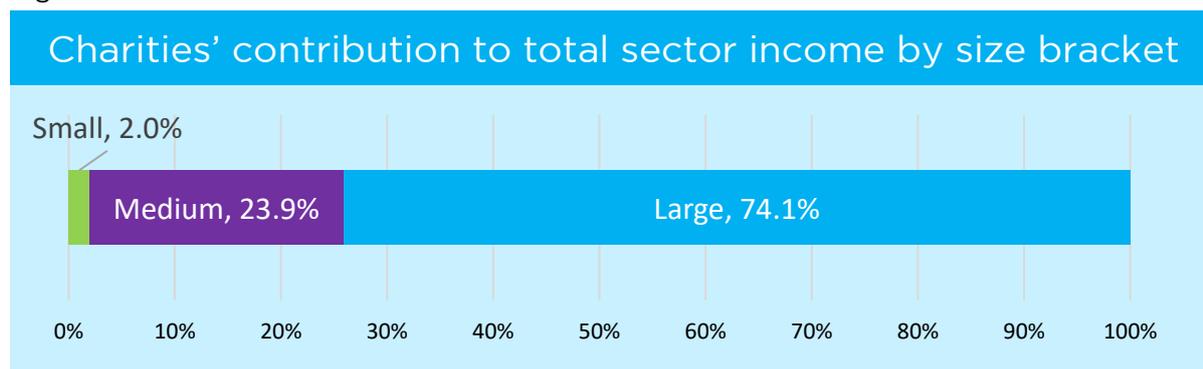
Conversely, almost three-quarters (74.4%) of the armed forces charity sector is made up of small and micro charities (N=1,139), which generate only 2.0% of the sector's total income. In total, there are 1,319 small and micro charities, which collectively generate just under £25 million per year, according to the latest financial accounts.

Figure 13



Note: data is calculated as a percentages of the total number of armed forces charities (N=1,888) as of July 2018 according to the latest financial accounts.

Figure 14



Note: data is calculated as percentages of the total sector income as of July 2018 (N=£1,092,176,613) according to the latest financial accounts. Income figures are rounded to the nearest £1 million.

Figures 13 and 14 show that the sector's finances are heavily dependent on the largest 45 charities, which generate the bulk (74.1%) of the sector's income. Although the sector primarily consists of micro and small charities (N=1,319), they have relatively little impact on the overall financial health of the sector, accounting for less than 2% of the sector's income.

This trend is particularly evident when opposing ends of DSC's six size categories are explored. With an income of £151 million, The Royal British Legion is the largest forces charity in financial terms and the only charity to meet the criterion for the super major category (income over £100 million). The Royal British Legion alone contributes a significant proportion (13.8%) of the overall sector income. Conversely, the 820 micro charities contribute less than £3 million, representing a tiny fraction (0.3%) of the sector's total income.

These findings coincide with trends in the wider charity sector. CCEW's analysis of all charities in its data set (N=168,186) reveals that micro charities (income under £10,000) account for 45.2% of all charities, yet contribute only 0.3% of total income (CCEW, 2018a). In contrast, large and super major charities (income over £5 million) make up only 1.3% of all charities and contribute over two-thirds (71.5%) of income (CCEW, 2018a).

Further research conducted by NCVO found that the charity sector's economy is dominated by larger charities. NCVO's 2018 *UK Civil Society Almanac* estimates that 82% of the UK charity sector is made up of small (income under £100,000) and micro (income under £10,000) organisations, which collectively contribute less than 5% of total income (NCVO, 2018). At the other end of the spectrum, super major charities represent just 0.03% of all charities and generate 20% of total income (NCVO, 2018).

However, it is important to note that charities' contribution to total income does not reflect a value judgement on their impact or ability to adequately serve the armed forces community. Although financially smaller charities generate less income, their mission is often to deliver specialist or niche provision to specific beneficiary groups or local communities, which can often be achieved on a small budget.

Further analysis revealed that over three-fifths (61.0%) of micro charities were association branches (N=500). As discussed previously, association branches can tend to cater to small local beneficiary groups and have limited running costs, relying on member contributions to sustain their daily operations. In contrast, the majority (57.7%) of the 45 largest charities were welfare charities (N=26), which generate large amounts of income from public fundraising campaigns.

2.3 AVERAGE INCOME AND EXPENDITURE TRENDS: 2012-2017

2.3.1 Total sector income

DSC investigated how armed forces charities' total income changed between 2012 and 2018. Researchers also calculated aggregated averages for annual income. It was necessary to do so because CCEW and CCNI do not currently store financial data on removed charities. This presents a methodological challenge as calculations of total annual income would exclude charities which were operating in previous years but had closed as of July 2018, potentially leading to under-reporting of income.

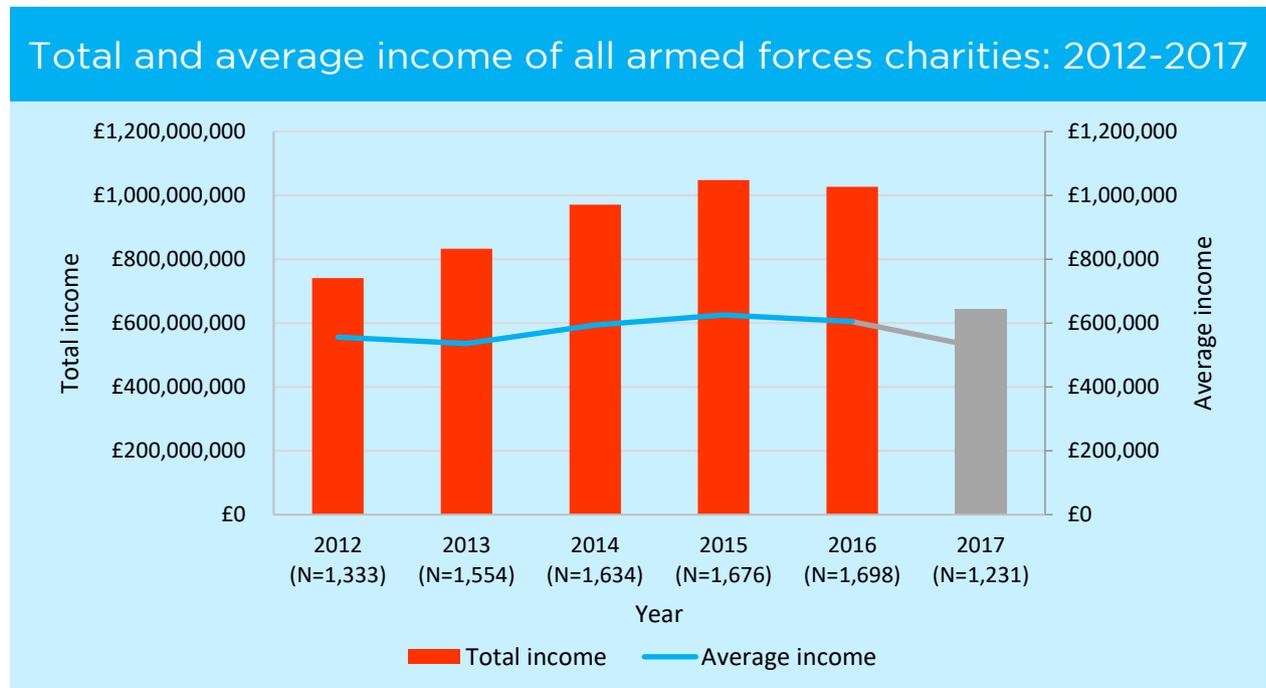
Readers are advised to treat the 2017 financial data which appears in section 2.3 with caution. Financial data was only available for the first six months of 2017 at the time of data collection, and some of the largest charities had yet to submit their accounts (see page xiv for further information). 2017 data, therefore, appears in grey within the charts in this section.

Figure 15 shows total and average income trends for all armed forces charities, based on available financial data. The sector's total income grew consistently year on year from 2012 (£741.1 million) to 2015 (£1 billion) and then remained stable into 2016 (£1 billion). Total income generated by armed forces charities increased by 25.9% from 2012 to 2016.

Financial data for 2017 is limited to the first six months of the year. Total sector income generated from January to June 2017 was around £644.4 million.

Average income fluctuated more on a yearly basis, falling within a range of around £536.4 million to £625.5 million throughout 2012 to 2016. The biggest period of growth was observed in 2014, where average income increased by 10.8% on 2013 (from around £536.4 million to £594.3 million). Overall however, average income remained relatively steady, fluctuating between -3.3% and 5.2% annual growth per year.

Figure 15



Note: Figure 15 shows total and average sector income, based on available data. Total income is displayed by the orange bars and averages are represented by the blue trend line.

2.3.2 Welfare charities income

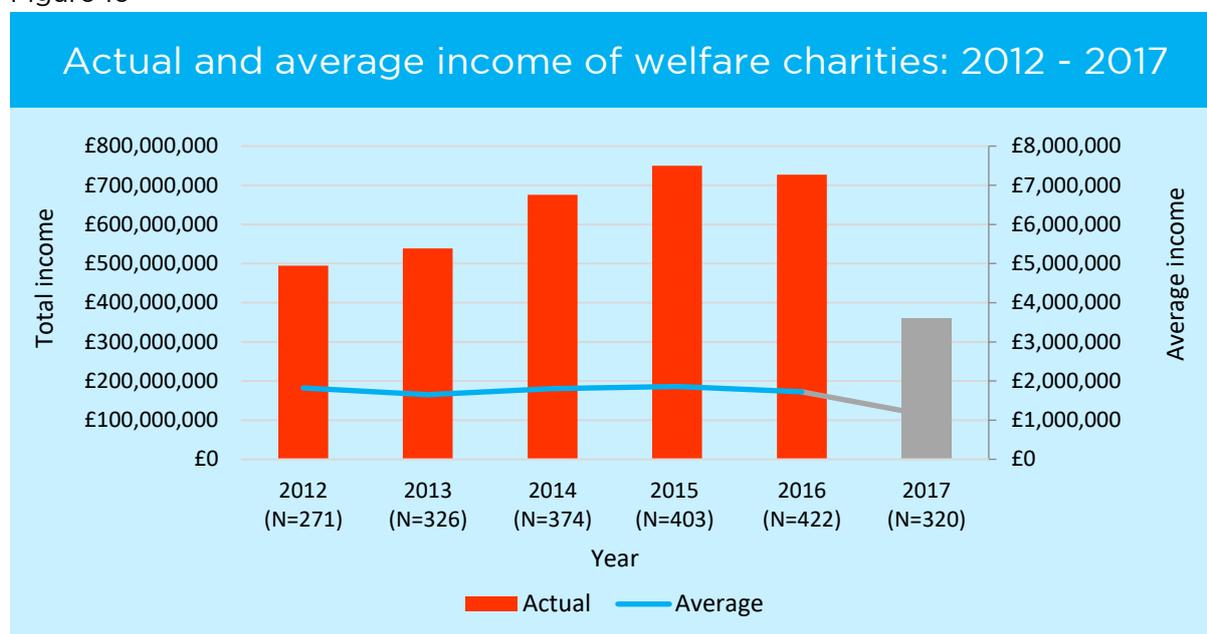
As discussed previously, welfare charities contribute two-thirds (66.6%) of the sector’s total income, according to the latest financial accounts (see page 17). DSC researchers explored trends in welfare charities’ income from 2012 to 2017.

The bars in figure 16 display the total annual income generated by all welfare charities from 2012 to 2017 based on available financial accounts. The total income generated by welfare charities grew steadily from £494 million to £749 million from 2012 to 2015.

To mitigate against the effect of missing data for removed charities, DSC researchers also calculated welfare charities’ average income from 2012 to 2017. The averages are represented by the blue trend line in figure 16. As can be seen, average income remained relatively stable from 2012 to 2016, falling within a range of around £200,000 (£1.7 million to £1.9 million).

Data for the first half of 2017, shows a fall in average income to £1.1 million, but this could change dramatically as the remaining 33.4% of charities submit their accounts.

Figure 16



Note: data in the bar chart represents the sum of welfare charities’ income per year as taken from charities’ most recent financial accounts. The trend line shows aggregated averages for welfare charities’ mean income per year. The numbers of accounts available per year is indicated by the ‘N=’ labels.

Additional analysis of welfare charities’ income dating back to 2008 (not displayed in figure 16) reveals that, in fact, total income grew steadily from 2008 to 2015, with income more than doubling from £368 million in 2008 to £749 million in 2016.

Welfare charities rely heavily on public fundraising as a source of income, making them more susceptible to trends in public opinion and charitable giving than other types of forces charity. The steady increase in income generated by welfare charities between 2012 and 2015, which remained stable into 2016, shows that, despite some challenging conditions in the charity sector, welfare charities have largely weathered the storm.

Recent challenges for the sector include a lack of visible conflicts after the wars in Iraq and Afghanistan have come to an end, negative media attention and calls to consolidate the sector (Ashcroft 2014, Haynes 2017, Radajev 2017). However, it appears that throughout 2012 to 2015, public support for armed forces charities remained strong as indicated by the consistent growth of income for welfare charities, until 2016, which saw a reduction on the previous year.

2.3.2 Income and expenditure by charity size

The charities in the data set fall within a huge range of annual income, from £0 to £161 million. DSC examined how income and expenditure trends changed for charities of different sizes. Charities were split into the six income groups previously outlined in table 2 (see page 19).

Figures 17 to 22, display the average incomes and expenditures for each income group between 2012 and 2018.

The following pages are presented as 'double-page spreads', in which the exposition precedes the graphs, which are presented on the opposite page, and are listed as follows:

- **Micro and small charities**, inclusive of charities labelled as being 'micro' (£0 to £10,000), and 'small' charities (£10,000 to £100,000), are presented on pages 24 and 25 (figures 17 and 18).
- **Medium charities**, comprised of 'lower-medium' (£100,000 to £500,000), and 'upper-medium' charities (£500,000 to £5 million), are presented on pages 26 and 27 (figures 19 and 20).
- **Large and super major charities**, inclusive of 'large' (over £5 million), and 'super major' (over £100 million) charities, are presented on pages 28 and 29 (figures 21 and 22).

Micro and small charities

Figures 17 and 18, presented on page 25 display average income trends for micro (income under £10,000) and small (£10,000 to £100,000) charities from 2012 to 2017. Data for the 2018 financial year was extremely limited. As such, 2018 data is not included in the charts but is discussed in the exposition below where available.

Micro charities

As shown in figure 17, the average income of micro charities remained tightly consistent throughout 2012 to 2017, falling within a tiny range of £225 (£3,120 to £3,346).

Expenditure trends were more erratic, with spending peaking in 2013 and 2016. Micro charities' annual expenditure was consistently greater than their incoming resources. The greatest deficits of £1,406 and £1,524 occurred in 2013 and 2016 where spending was 142% and 147% of income respectively. This appears to suggest that micro charities tend to operate on a 'hand to mouth basis', where financial resources are routinely stretched.

With some exceptions, micro charities appear unlikely to have built up financial reserves during 2012 to 2018 as their collective income is spent in entirety throughout the financial year. It's possible that micro charities may supplement periods of financial deficit with financial reserves gathered before 2012. However, information on reserves held by charities with an income under £500,000 is not currently available via the CCEW.

Data for the 2018 financial year was only available for one micro charity, which had an annual income of £5,409 and expenditure of £4,627. Data for 2018 is excluded from figure 17 due to its small and therefore, unrepresentative sample size.

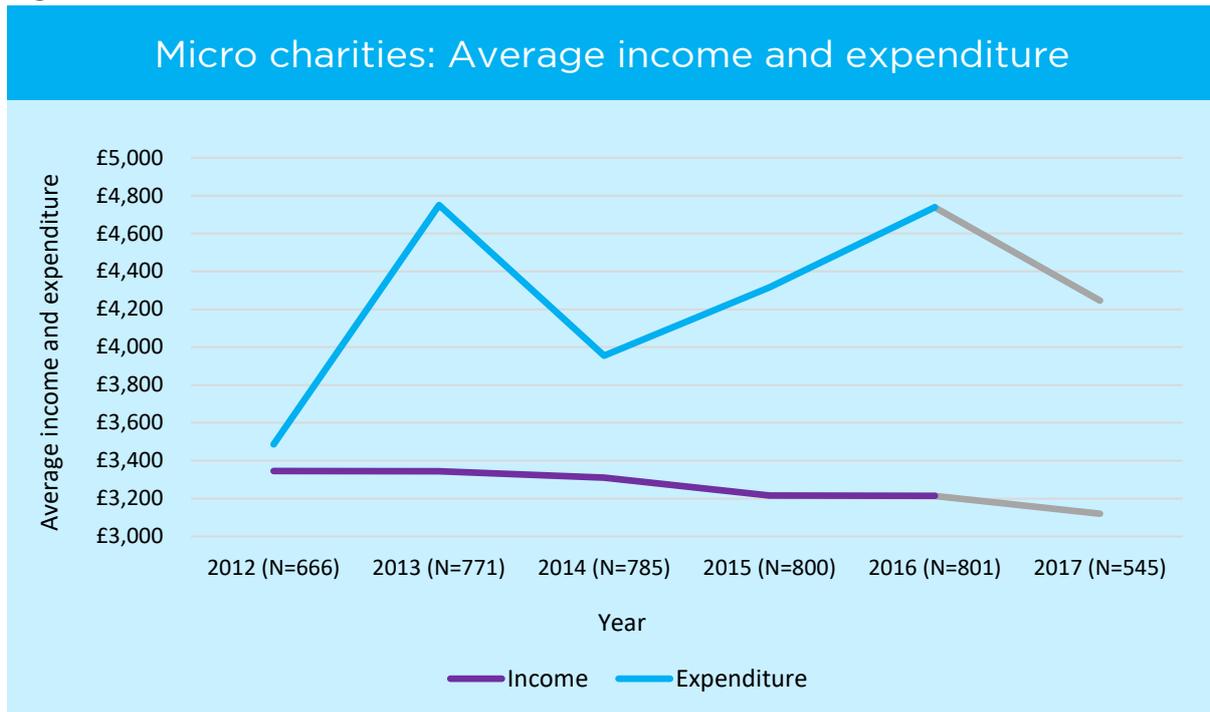
Small charities

As shown in figure 18, there was relatively little fluctuation in the average income of small charities, which lay within a range of £3,347 (£34,879 to £38,226).

Smaller charities' annual average expenditure frequently exceeded their incoming resources, with the exception of 2013. Although this trend was less pronounced than for micro charities, small armed forces charities also typically spent all or the vast majority of incoming resources over the financial year. The greatest financial deficit of £3,620 occurred in 2014, where spending was 10% greater than income on average.

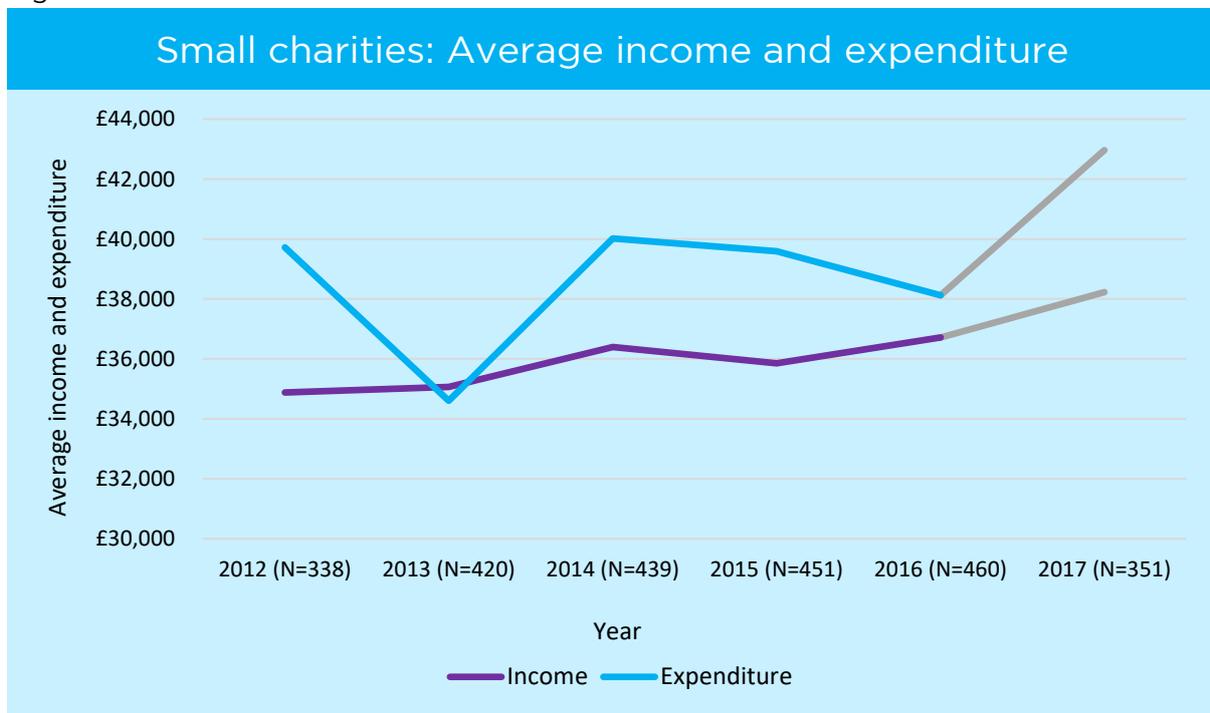
Limited financial data was available for the 2018 financial year (N=2 charities). Average income for small charities in 2018 was £51,885 and average expenditure was £68,900. Again, 2018 data should be treated with caution as small sample sizes render it unrepresentative of wider trends in the sector.

Figure 17



Note: The data is taken as an annual average of income and expenditure. The numbers of accounts available per year are indicated by the 'N=' labels.

Figure 18



Note: The data is taken as an annual average of income and expenditure. The numbers of accounts available per year are indicated by the 'N=' labels.

Medium charities

Figures 19 and 20, found on page 27 display income trends for medium charities (income between £100,000 to £5 million) during 2012 to 2017. Data for the 2018 financial year was extremely limited. As such 2018 data is not included in the charts but is discussed in the exposition below where available.

Lower-medium charities

Figure 19 shows the average income and expenditure for charities which fall into the lower-medium income bracket. Average income remained fairly consistent throughout 2012 to 2017, falling within a range of £12,213 (£216,229 to £228,442)¹⁴.

Average expenditure also remained consistent and largely mirrored income trends throughout 2012-2017. This was followed by a sharp increase in spending in 2016, expenditure jumped by 17.5% on the previous year. Spending was 24% greater than income in 2017, although data for the year to date is incomplete.

2018 data is limited to one charity, which had average income of £285,649 and expenditure of £280,811.

Upper-medium charities

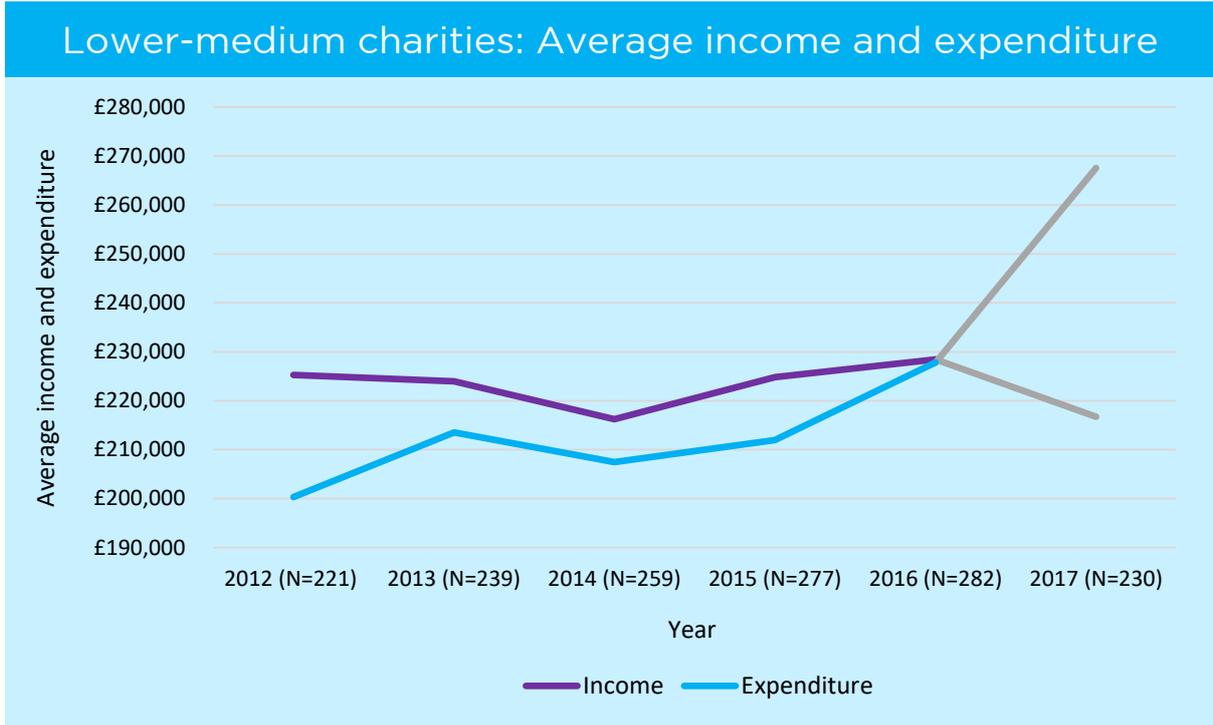
Figure 20 shows average income and expenditure for charities in the upper medium (£500,000 to £5 million) income bracket. Average income peaked at around £1.9 million in 2012, gradually falling to £1.7 by 2014 and then remaining relatively constant until 2017. Income fell within a range of £154,635 from 2012 to 2017. Data for 2018 was unavailable for charities in this income group.

Average expenditure peaked in 2014 at around £1.8 million, with a sudden jump of 27.4% on the previous year. However, this rapid rise was short lived, with spending quickly falling by 16.6% the following year.

With the exception of 2014, average spending generally falls comfortably below average income. When compared with micro and small charities, medium sized charities typically have a greater 'safety net' in terms of surplus income to carry over from one financial year to the next (see page 39 for analysis of financial reserves for charities with income over £500,000).

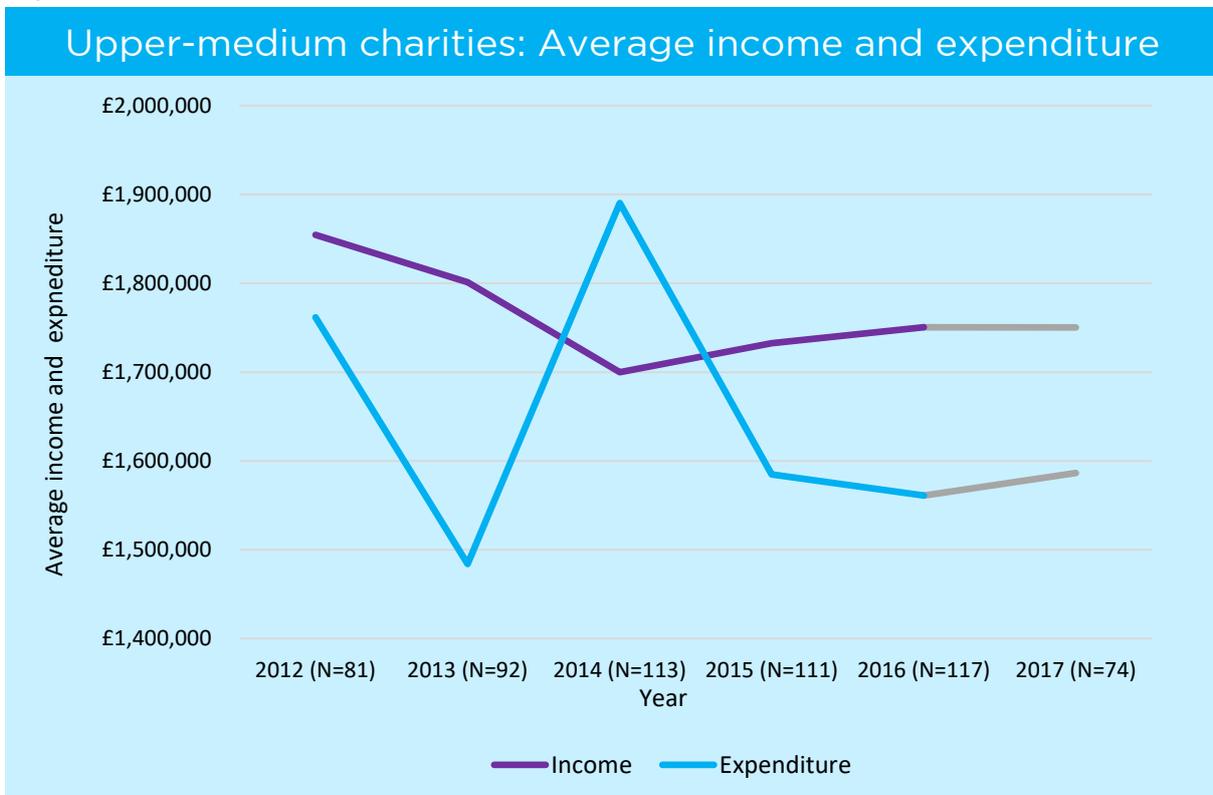
14. This excludes 2018 data due to its unreliability.

Figure 19



Note: The data is taken as an annual average of income and expenditure. The numbers of accounts available per year are indicated by the 'N=' labels. The 2018 data line has been greyed out to indicate that limited data is available for this financial year.

Figure 20



Note: The data is taken as an annual average of income and expenditure. The numbers of accounts available per year are indicated by the 'N=' labels.

Large and super major charities

Figures 21 and 22, found on page 29 show average income trends for large (income over £5 million) and super major (income over £100 million) charities during 2012 to 2017. There was no data available for the 2018 financial year available for charities in the highest income brackets as annual accounts had not yet been submitted as of July 2018.

Large charities

Figure 21 shows the average annual income of large charities (income over £5 million) from 2012 to 2017, which fell within a range of £2.5 million (£14.5 million to £17 million). Average income peaked in 2015 at over £17 million.

Since 2012 large charities average income consistently exceeded expenditure by a comfortable margin, with the biggest surplus of income of over £3.5 million occurring in 2015. This affords large charities with the opportunity to build financial reserves (analysis of reserves held by charities with an income of over £500,000 can be found on page 39).

Super major charities

Figure 22 shows the average income and expenditure of super major charities (income over £100 million) from 2012 to 2016.

Only one armed forces charity (The Royal British Legion) fell into the super major category (income over £100 million). It was decided to analyse this charity separately, as its average annual income is an outlier by a considerable margin. In 2016, the super major charity's income was £99.5 million greater than the charity with the next highest income (£151.3 million versus £51.8 million).

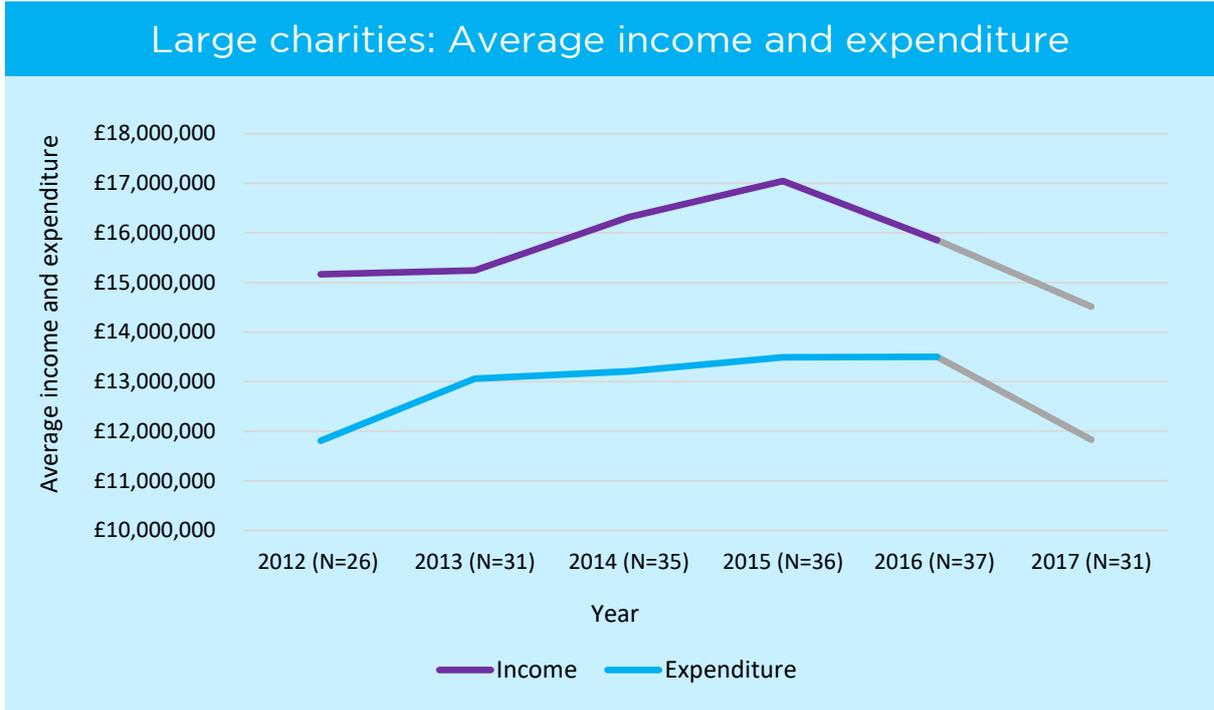
Total annual income varied significantly from year to year, falling within a huge range of £36.7 million (£124.6 million - £161.3 million) over a five-year period. The highest annual income of £161.3 million was recorded in 2015, marking a growth of 20% on the previous year. The Royal British Legion were yet to submit their 2017 accounts at the time of data collection (July 2018).

Expenditure was also inconsistent. Total annual spending varied by £31.7 million over the eight-year period, ranging from £115.2 million to £146.9 million. With the exception of a £7.7 million deficit in 2012, income exceeded spending, with the greatest surpluses of over £18 million found in years in 2014 and 2015.

Analysis of the one super major charity in our dataset (figure 22) demonstrates that even for the largest and most well-known charities, income can vary dramatically from one year to the next.

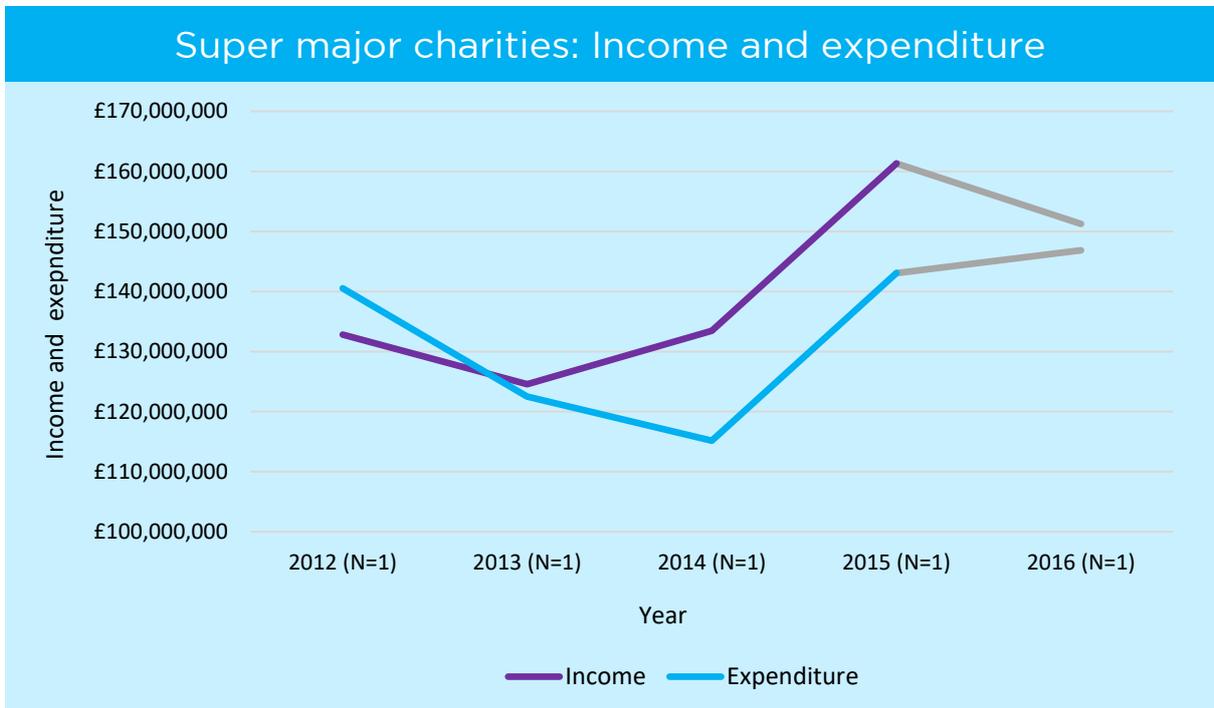
This trend becomes even more apparent when analysis of income is extended back to 2008. DSC examined The Royal British Legion's income from 2008 to 2016, finding that income fell within a huge range of £57.2 million (£104.1 million to £161.4 million) over this eight-year period. There were often sharp variances from one year to the next, for example, income grew by over 20% on the previous year in both 2009 and 2015. See page 30 for a case study providing a more in-depth look at The Royal British Legion's income throughout this period.

Figure 21



Note: data is taken as an annual average of income and expenditure. The numbers of accounts available per year are indicated by the 'N' labels.

Figure 22



Note: data is taken as an annual average of income and expenditure.

Case study 5: FINANCIAL TRENDS: A SUPER MAJOR CHARITY The Royal British Legion

The Royal British Legion represents the only super major charity (income over £100 million) in our data set. This presents a unique opportunity to conduct a more in-depth analysis of the charity's financial accounts to gain insights into income and expenditure trends over the past five years.

The charity's income increased from £124.6 million in 2013, to £159.2 million in 2017. Around half of the increase is due to higher donations from the public, in particular the record support for the Poppy Appeal during the 2014-2018 First World War Centenary. Grant income has also increased as the charity has received government funding earmarked for veterans' support and commemorative events. This funding originated from the fines levied on UK banks for their role in fixing the LIBOR rate.

Charitable expenditure increased from £96.0 million in 2013 to £115.9 million in 2017. The Legion's charitable expenditure includes the costs of running the charity's six care homes and four break centres, the cost of providing information, advice, grants and support services to individual beneficiaries, the cost of running the Legion's network of 2,300 branches and the costs of Remembrance events and activities.

Whilst expenditure on most of these activities increased, the biggest increases were in grants to other organisations (£10 million increase), reflecting the Legion's role in supporting beneficiaries via the national network of military charities, and care services (£7 million increase), reflecting an expansion in services for dementia care.

Whilst the Legion is a financially strong charity with significant reserves, almost half its total reserves are restricted in nature and can only be used for the purposes specified by the donor. The Legion also has significant reserves tied up in functional properties, such as its care homes, break centres, London head office and the National Memorial Arboretum in Staffordshire.

The Legion sets its reserves policy with reference to unrestricted, liquid reserves which can be accessed immediately to ensure that services to beneficiaries can continue in the event of an unforeseen reduction in income. Whilst the Legion currently holds reserves in excess of its reserves target, the charity expects reserve levels to reduce over the coming two to three years, due to planned investment in care services, facilities at the National Memorial Arboretum and grants to other organisations providing support to the armed forces community.

2.4 CHAPTER TWO SUMMARY

Income and expenditure: 2018 snapshot

According to the latest financial accounts, the forces charity sector currently has a total annual income of approximately £1.1 billion and expenditure of approximately £939 million.

Welfare charities accounted for around two-thirds of total income and spending. Despite being the most common type of forces charity, association branches (and their corporate headquarters) contributed the smallest fraction of expenditure, cumulatively generating just over 3% of income and expenditure.

Total income trends: 2012 to 2017

Total sector income grew consistently year on year from 2012 (£741 million) to 2015 (£1 billion) and then reduced into 2016. Average income experienced a growth of 10.8% in 2014 but otherwise, remained relatively stable throughout the period, fluctuating between -3.5% to 5.2% growth per year.

Income trends: Welfare charities: 2012 to 2017

Welfare charities' collective income grew steadily from 2012 to 2015, then reducing into 2016, and average income also remained relatively steady throughout this period (falling within a range of £1.7 to £1.9 million). As welfare charities rely on public fundraising they offer useful insights into trends in public giving. Throughout 2012 to 2016, public support for welfare charities has remained strong.

Income and expenditure trends: Small versus large charities

The average incomes of micro and small charities remained relatively steady from 2012 to 2017. This was particularly true of micro charities, whose average income remained within a range of only £226 over the five-year period. For both small and micro charities, expenditure was consistently higher than income. In this regard, the resources of micro charities appear to be routinely stretched, and they experienced frequent periods of financial deficit.

By contrast, large charities' income was more erratic, characterised by a series of significant peaks and troughs. However, generally, larger charities' income exceeded expenditure by a comfortable margin, affording these charities the opportunity to build reserves.

CHAPTER THREE

Charities with an income of over £500,000

3.1 INTRODUCTION

CCEW requires charities with an income of over £500,000 to submit more detailed 'enhanced data' on their financial activities. In total, 208 charities (11% of all armed forces charities) were required to submit this level of data throughout 2012 to 2017. OSCR and CCNI require charities with an income of over £250,000 to submit detailed reports on their financial activities. However, the level of data available is inconsistent between the commissions, with CCEW providing more enhanced data.

DSC analysed all available enhanced data submitted to CCEW by charities whose income met the reporting threshold during 2012 to 2017. Although this sample group represents a small segment (11%) of the forces charity sector and exclusively includes larger charities (with an income over £500,000), it presents a valuable opportunity to take a closer look at the finances of the largest armed forces charities.

Topics covered in this chapter include:

- Income trends and net assets
- Restricted funds, unrestricted funds and reserves
- Expenditure trends: grant-making and governance costs
- Employees and volunteers

It is important to note that the data is presented across a six-year period, and different numbers of financial records are available for analysis each year, as individual charities meet or fall below the reporting threshold in various years.

Figures 23 to 31 show annual totals for income, assets and other financial measures. Researchers also calculated averages for the available data to mitigate against the possibility of trends being skewed by the varying number of financial records available each year.

It was not possible to present a complete account of the 2017 financial year. Only the first six months of financial records were available at the time of data collection and many of the largest charities had yet to submit accounts (see page xiv for further information). Readers should bear this in mind when viewing graphs within chapter three, which display 2017 data in grey.

3.2 INCOME TRENDS

DSC analysed broad trends in income throughout 2012 to 2018 for charities who met the reporting threshold for enhanced data (N=208). Figures 23 to 25 display annual totals and average trends for voluntary, legacy and charitable activities income.

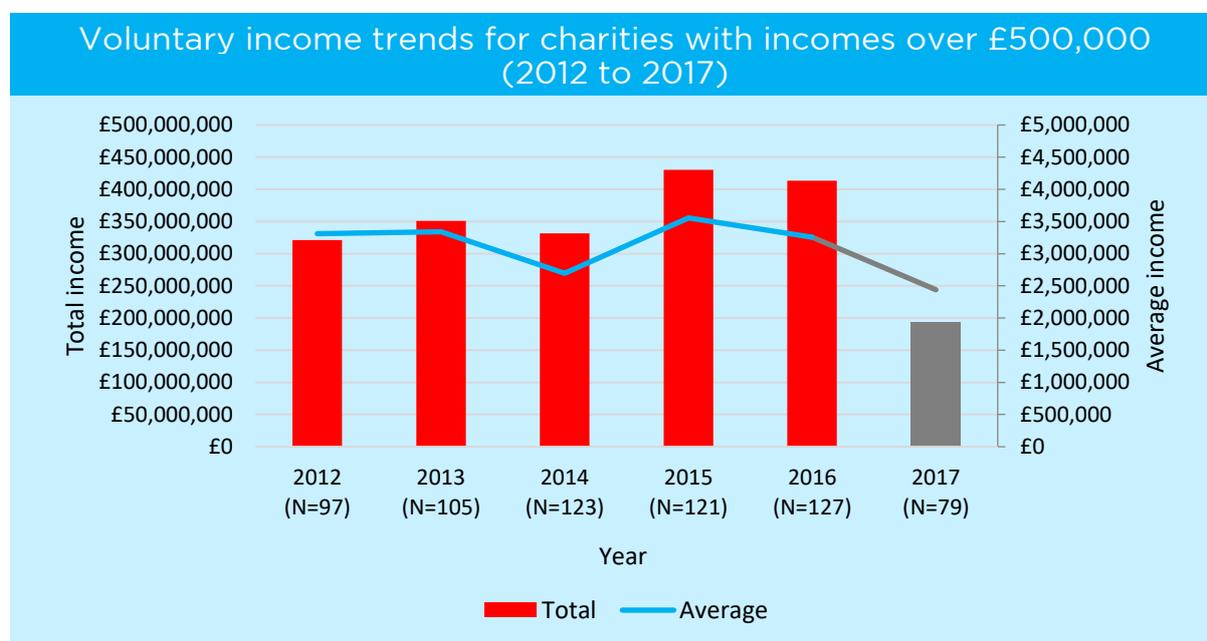
3.2.1 Voluntary income

Voluntary income includes donations, legacies, gifts and grants, given on a voluntary basis with no expectation of a service in return (Sayer Vincent, 2015). It includes both donations from individuals and grants from organisations given to charities.

As shown in figure 23, overall, total voluntary income increased by £92.3 million from 2012 to 2016. Despite a drop in 2014, voluntary income reached its peak in 2015 at £430.2 million.

The blue average trend line displays a drop in 2014, during which average voluntary income fell by 19.4% on the previous year (to just under £2.7 million) before quickly recovering in 2015.

Figure 23



Note: data for 2017 was less readily available, as indicated by the grey bar.

Some significant events which may have contributed to the 2015 peak in voluntary income (at £430.3 million) include the 70th anniversaries of VE Day and VJ Day in 2015 and the 100th anniversary of the beginning of the First World War in 2014. For example, The Royal British Legion reported a then-record £48.5 million in donations in 2015 as part of its 2014 Poppy Appeal (The Royal British Legion, 2016).

From 2015 to 2017, total voluntary income shows a decline, which is partly attributable to the lack of data for 2017. However, the average trend line also displays a decline, indicating a reduction in voluntary income per charity from 2016.

This trend was also identified in a report from HaysMacintyre, which showed the steepest fall in wider charity sector voluntary income for the 'top 100 UK charities' for twenty years, across three successive quarters, from quarter-three 2016 to quarter-one 2017 (Preston, 2018).

As discussed previously, 2017 represented a challenging year for all charities. The voluntary sector came under intense media scrutiny in light of a few high-profile charity scandals and

public trust was reported to have fallen to its lowest point in 13 years (OSCR, CCEW, 2018; b). It's not possible to determine whether this challenging climate has directly contributed to the fall in average voluntary income in 2017 observed in figure 23, as data for the 2017 financial year is incomplete. The impact will become clearer when 2017 and 2018 data is submitted to charity regulators, DSC will continue to monitor this trend.

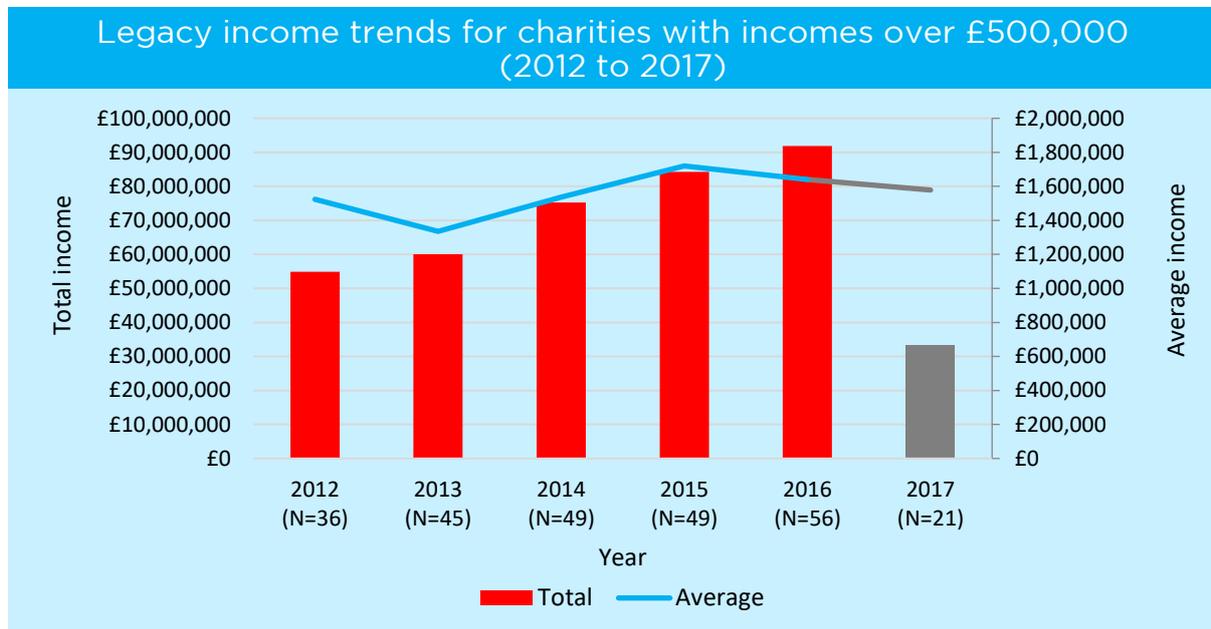
3.2.2 Legacy income

Legacy income is defined as an amount of money or property left to a person or organisation in a will (NCVO, 2012).

As shown in figure 24, annual totals for legacy income grew consistently from 2012 to 2016. During this period, total legacy donations increased from around £54.8 million in 2012 to £91.8 million in 2016.

Average legacy income did not show the same consistency of growth, with a drop of 12.4% from 2012 to 2013. A similar 8.2% drop was also observed between 2015 and 2017.

Figure 24



Note: data for 2017 was less readily available, as indicated by the grey bar.

Overall, figures regarding total income show consistent growth, and also align with HaysMacintyre's findings on legacy income trends in the wider charity sector, which showed an increase in legacy income for the 'top 100 UK charities' since 2012.

The upward trend in total legacy income shown in figure 24 also corresponds with Charities Aid Foundation's (CAF) research on the armed forces charity sector, which found that legacy donations to armed forces charities increased from 2012 to 2016 (Young, 2018).

Legacies represent a significant source of income for charities. In 2016, legacies accounted for a quarter of the total amount given to charities in the UK (npf Synergy, 2016). Analysis of legacy income trends over this five-year period shows that the British public are increasingly giving to armed forces charities in their wills.

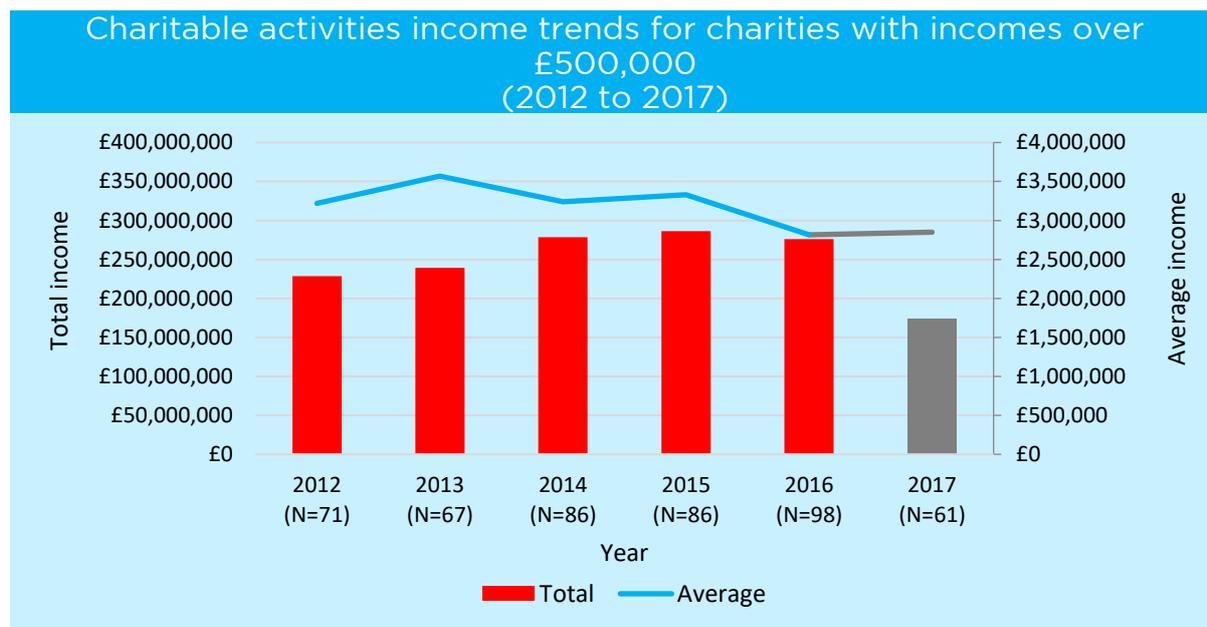
3.2.3 Charitable activities income

Charitable activities income is defined as grants and fees received on the understanding or contractual terms that they will be used to undertake activities to further a charity’s objects (Sayer Vincent, 2015).

As shown in Figure 25, total income from charitable activities grew consistently from 2012 to 2015, where it peaked at £286 million and then saw a slight decline in 2016.

Average figures on income from charitable activities showed a peak in 2013, followed by a decline of approximately 21.1% between 2013 and 2016; however, early indications appear to show this trend does not continue into 2017.

Figure 25



Note: data for 2017 was less readily available, as indicated by the grey bar

3.3 ASSETS, FUNDS AND RESERVES

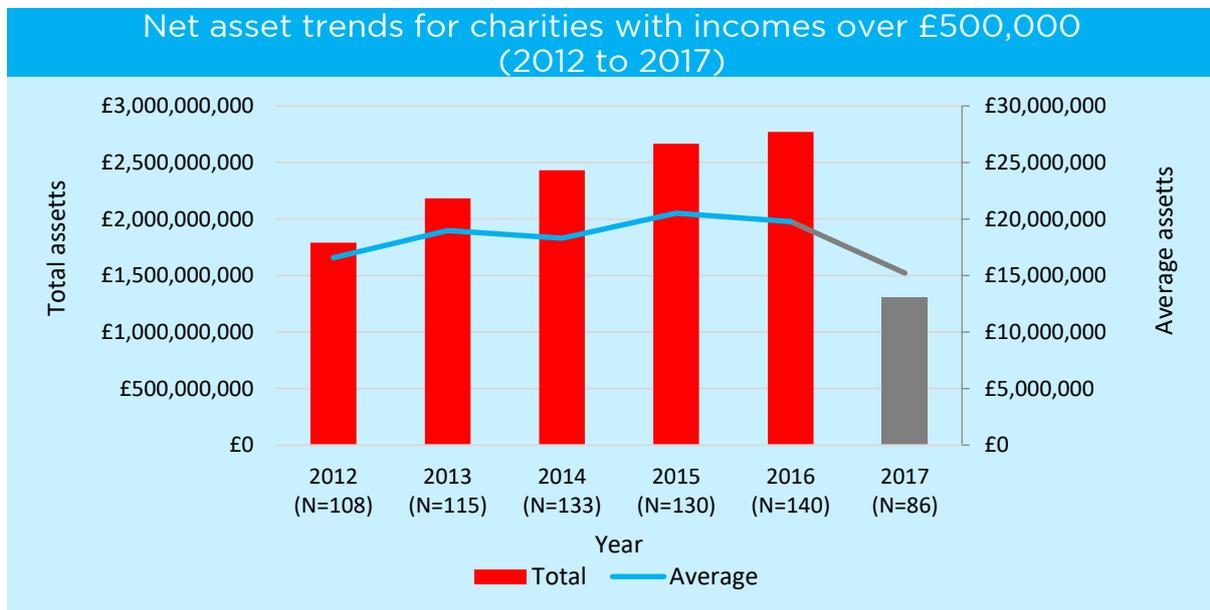
3.3.1 Net assets

Total net assets are defined as the total of all assets less all liabilities of a charity (Poza and Walker, 2014). Assets are made up of cash, inventory and buildings; examples of liabilities include accounts payable, loans payable and interest payable.

Figure 26 shows the total and average net assets held by all charities which submitted enhanced financial data between 2012 and 2017. Total net assets grew year on year throughout 2012 to 2016. From 2012 to 2016, the total net assets held by charities increased by almost £1 billion (from £1.8 billion in 2012 to £2.8 billion in 2016).

Yet, as shown in figure 26, average net assets fluctuated throughout 2012 to 2016. In 2014, average net assets dropped by 3.6% on the previous year but recovered in 2015. Since 2015, average net assets per charity can be seen to once again be decreasing.

Figure 26



Note: data for 2017 was less readily available, as indicated by the grey bar

The continued upward trend in total net assets as observed in figure 26 is also in line with broader trends in the rest of the voluntary sector. Research carried out by NCVO found that net assets for the voluntary sector grew steadily from 2011/2012 to 2014/2015 (NCVO, 2018).

3.3.2 Restricted and unrestricted funds

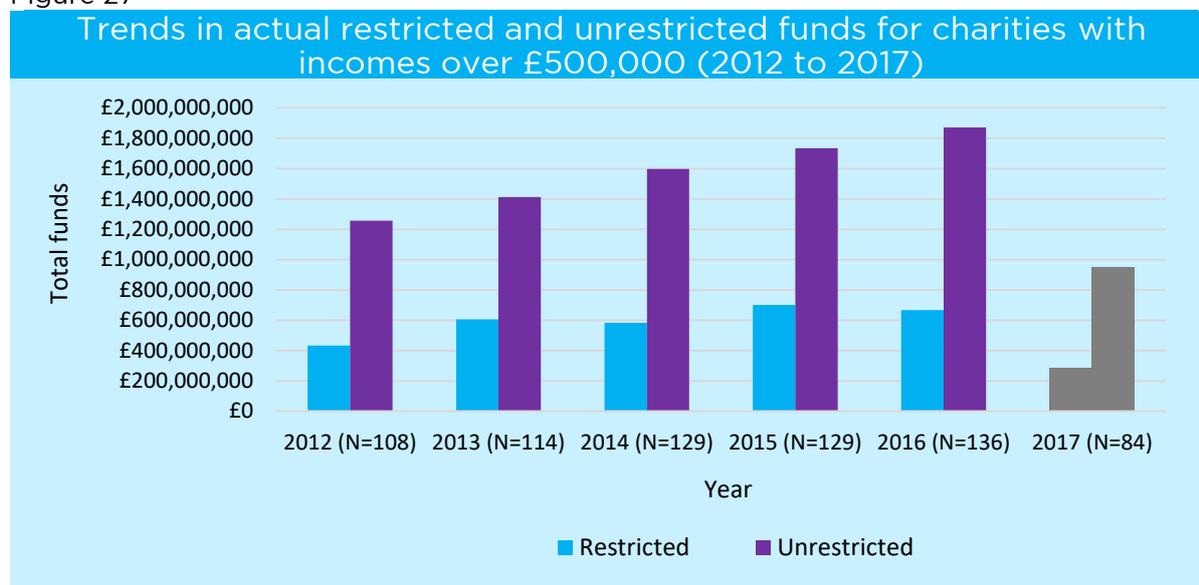
Unrestricted funds are defined as funds available for the purposes of a charity which can be spent as the trustees see fit (Sayer Vincent, 2015). In contrast, restricted funds are funds subject to special trusts or purposes specified by the donor (Sayer Vincent, 2015).

Figure 27 shows total annual restricted and unrestricted funds for all charities which submitted enhanced data between 2012 and 2016.

With the exception of 2014, when restricted funds remained stable, both total restricted and unrestricted funds grew year on year from 2012 to 2016. Total unrestricted funds increased by approximately £600 million between 2012 and 2016 (from £1.3 billion to £1.9 billion). Whereas, restricted funds increased by £240 million over the same period (from £430 million to £670 million).

As shown in figure 27, a significant proportion of charities' total funds are ring-fenced for specific projects in the form of restricted funds. On average, just over one-quarter (27.5%) of charities' total funds were restricted. Throughout 2012 to 2017, the percentage of total funds which were restricted remained relatively unchanged (falling within a range of 25.6% to 30.0%).

Figure 27



Note: data for 2017 was less readily available, as indicated by the grey bar

Unrestricted funds are usually used to build up a charity's reserves. Charity reserves are held for various reasons, including protecting the charity's work in the event of a shortfall in income (Sayer Vincent 2015).

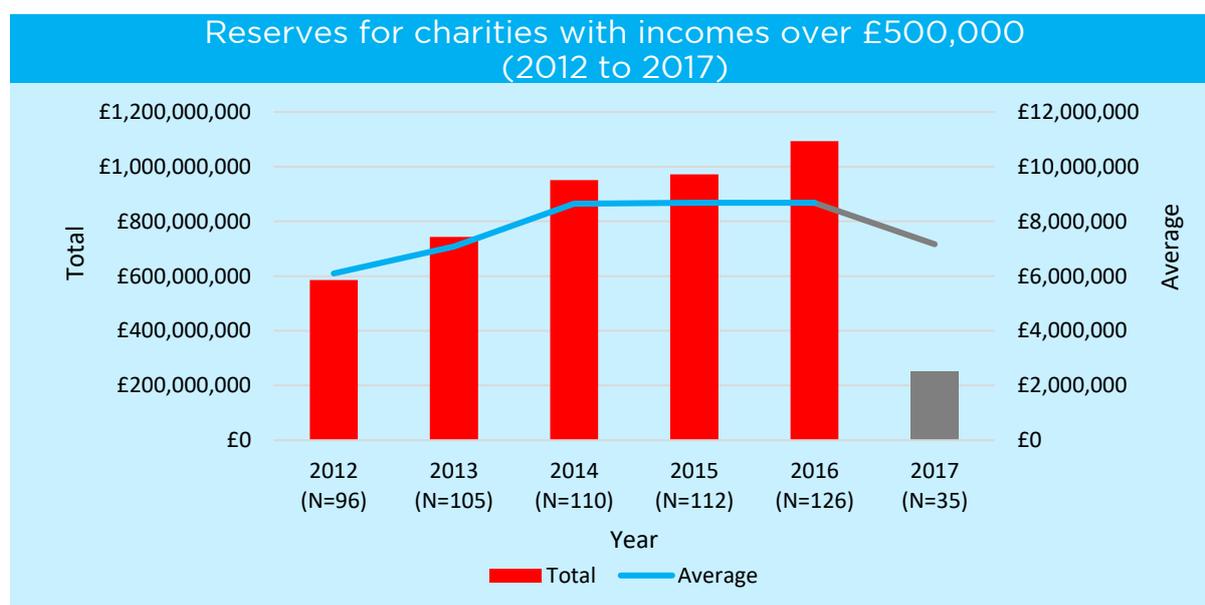
Levels of unrestricted funds may have increased over this period, as charities built up their reserves. Levels of financial reserves are explored within the following section (see page 39).

3.3.4 Financial reserves

Charities' reserves usually consist of income which is held back to protect the charity's future operations. A charity needs sufficient reserves to cover known liabilities and contingencies, absorb setbacks and take advantage of change and opportunities (Sayer Vincent, 2015).

Figure 28 shows the total and average reserves for all armed forces charities which submitted enhanced financial data from 2012 to 2017. With the exception of 2015, the general trend shows an increase in the total reserves held by charities from 2012 to 2016. Over this five-year period, the total reserves held by charities increased by over 46% (from £585 million in 2012 to £1.1 billion in 2016). The fastest period of growth took place between 2012 and 2014, where average reserves increased by 41.8% and then plateaued until 2016.

Figure 28



Note: data for 2017 was less readily available, as indicated by the grey bar

CCEW states that there is no single amount of reserves (or even range of reserves) that is right for charities; the level of reserves held should reflect the particular circumstances of each individual charity (CCEW, 2018a).

Charities occasionally face criticism for holding large amounts of financial reserves; research by New Philanthropy Capital has found that just 1 in 17 people think charities should maintain reserves of more than a year's expenditure (Armor, 2015).

Charity trustees face the often-difficult responsibility of meeting the current needs of their beneficiaries while ensuring that they have enough free reserves in place to cover daily running costs in the event of unforeseen circumstances.

Often charities' free reserves, while seeming large, would cover just a few months of future running costs. For example, The Royal British Legion held back £95.4 million in unrestricted funds in 2016 in order to protect just nine months of unrestricted expenditure (The Royal British Legion, 2016).

The annual total reserves held by armed forces charities with an income of over £500,000 between 2012 and 2017 fluctuated between 12 and 17 months of total expenditure. In 2012, total reserves held by this group of charities would have covered 12 months of expenditure, by 2014 and 2015 this figure had grown to 16 months of expenditure. The highest levels of reserves were recorded in 2016 (£1.1 billion) at which time they equated to around 17 months of charities' total expenditure.

Overall, large charities typically held less than a year and a half's expenditure in reserves. This puts large armed forces charities in a relatively strong position to safeguard their charities' future in the short-term and respond to any unexpected events or drops in income.

It should be noted that these figures represent an average for large (income over £500,000) charities only. As previously discussed on page 24, small charities are often less able to build reserves. Throughout 2012 to 2016, expenditure continuously exceeded income for micro and small charities, affording little opportunity to build reserves. If the whole armed forces charity sector was taken into account, it would likely display a very different picture in regard to average reserves per charity. However, data on reserves is not currently available for charities under the £500,000 income threshold.

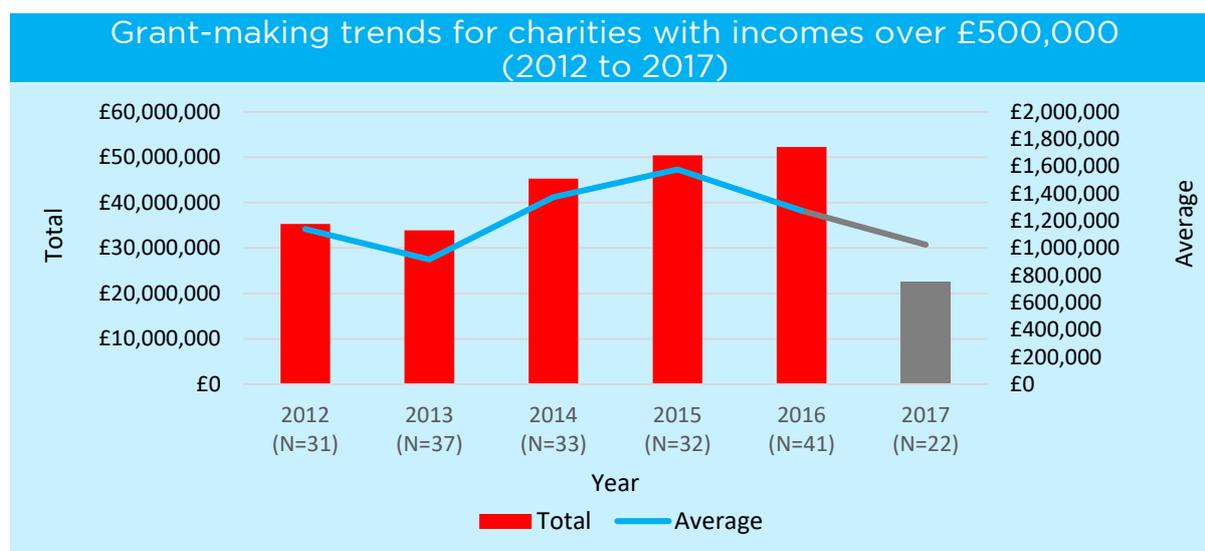
3.4 GRANT-MAKING, GOVERNANCE AND STAFFING

3.4.1 Grant-making

Figure 29 shows total and average grant-making trends for charities who submitted enhanced financial data between 2012 and 2017, during which time, the total value of grants distributed by charities increased by over £17 million peaking in 2016, at £52 million.

As shown in figure 29, the average value of grants distributed by armed forces charities fluctuates throughout 2012 to 2015. The sharpest period of growth occurs between 2013 and 2015, where the average value of grants increases by 72.1%, peaking at £1.6 million.

Figure 29



Note: data for 2017 was less readily available, as indicated by the grey bar

It must be noted that the grant-making figures provided through CCEW's enhanced data, include both grants to individuals and grants to organisations. Furthermore, previous research by DSC found that only around 10% of all charities that claim to make grants actually do so (Traynor and Walker, 2015)¹⁵.

Grant-making trends shown in figure 29 are based upon a small sample size, owing to the fact that data was only available for charities with an income over £500,000, not all of which make grants. However, the data shows that with the exception of 2013, the largest grant-makers were consistently giving more in total grants per year throughout 2012 to 2016.

15. This situation is not specific to the armed forces charity sector.

This upward trend in total grant value per year mirrors general trends seen in the wider charity sector. NCVO found that grant-making had increased by 22.6% between 2011/2012 and 2015/2016 (NCVO, 2018).

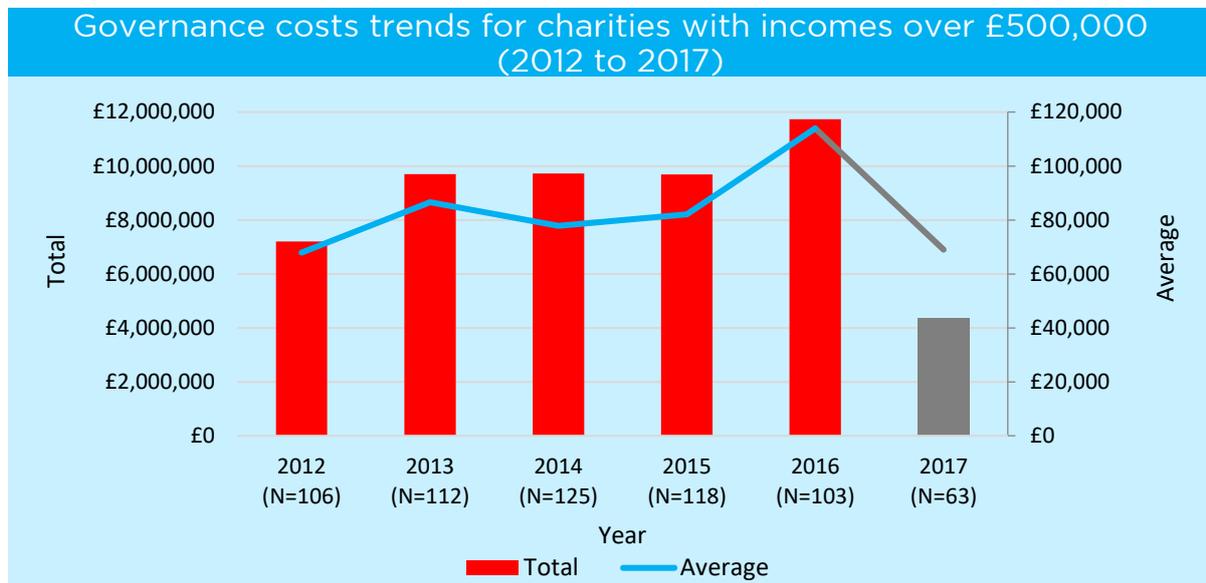
3.4.2 Governance costs

Governance costs relate to the general running of the charity as opposed to fundraising or charitable activities (Sayer Vincent, 2015). Governance costs can include internal and external audits, legal advice for trustees, and costs associated with constitutional and statutory requirements, such as the cost of trustees' meetings and preparing statutory accounts.

Figure 30 shows total and average annual governance costs for charities which submitted enhanced financial data. Total governance costs remained relatively stable between 2013 and 2015, before peaking in 2016 at £11.7 million, representing a £2 million (21.1%) increase on the previous year.

Average governance costs between 2012 to 2016 were slightly more sporadic, yet remained within a relatively moderate average range of around £46,000.

Figure 30



Note: data for 2017 was less readily available, as indicated by the grey bar

Two factors which could have contributed to rising total governance costs in 2016 are charities' trustees seeking legal advice on the impact of the EU Referendum result and charities preparing their annual reports under the new Standards of Recommended Practice which came into force in 2015.

3.4.3 Employee and volunteer trends

Those charities which meet the enhanced data reporting threshold must also provide data on the number of employees and volunteers who contribute to running their organisation. This provides insight into the number of volunteers and employees who support the largest armed forces charities.

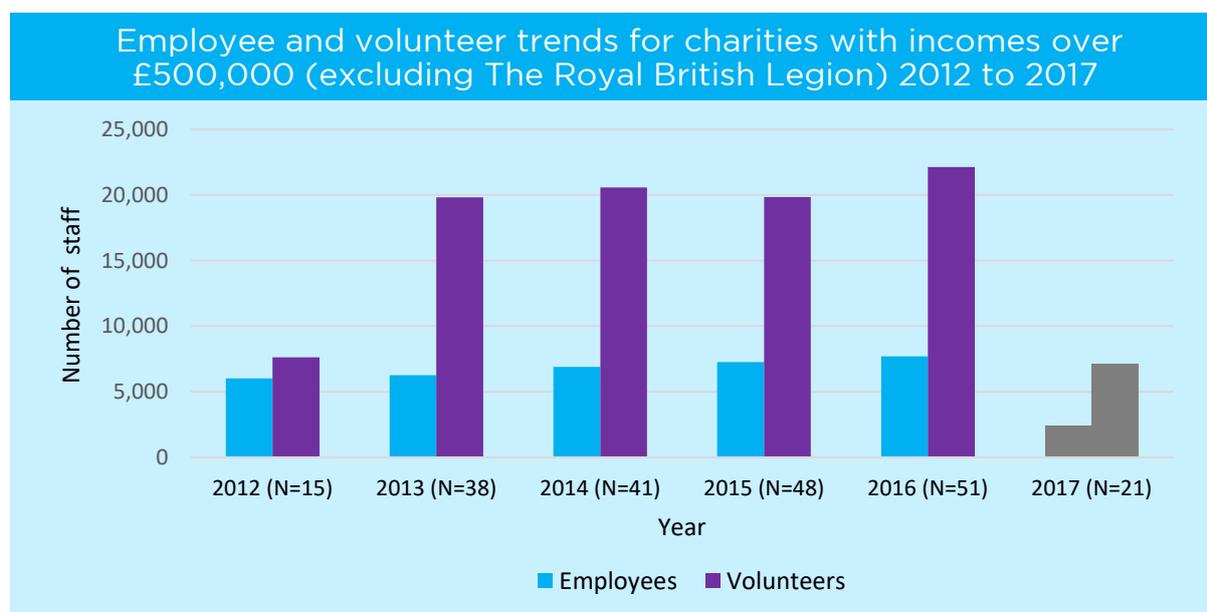
Figure 31 shows the employee and volunteer trends for charities with over £500,000 income, with the exclusion of The Royal British Legion, from 2012 to 2017¹⁶.

A huge increase in volunteer numbers was observed in 2013, where the total number of volunteers grew by 160% on the previous year. Throughout 2013 to 2016 levels of volunteers remained fairly consistent at around 20,000 individuals.

The total number of individuals in paid employment by armed forces charities showed a modest growth throughout 2012 to 2016, with the number of paid staff increasing steadily each year. In total the paid workforce grew by approximately 22% over this five-year period, to around 8,000 individuals in 2016.

The ratio of volunteers to paid employees has also grown consistently throughout this period. In 2012, there were 1.3 volunteers for every paid employee, whereas, from 2014 onwards there has been closer to 3 volunteers for every paid employee.

Figure 31



Note: data for 2017 was less readily available, as indicated by the grey bar

The upward trend in actual employee numbers in the armed forces charity sector corresponds with trends in the wider charity sector. The growth of employee numbers, as seen in figure 31, aligns with the findings of NCVO's *UK Civil Society Almanac 2018*. NCVO found that the employee numbers for the wider charity sector had increased by 16.2% between September 2009 and December 2016 (NCVO, 2018).

16. The Royal British Legion's employee and volunteer trends have been excluded from figure 31 as data for the years 2012 to 2014 was not available.

The Royal British Legion was excluded from figure 31 as reliable data on volunteer numbers was not available for the 2012 to 2014 period. In 2015, the charity implemented a new method for recording and reporting on volunteer numbers. The case below provides further information on The Royal British Legion's large volunteer network:

Case Study 6: VOLUNTEER TRENDS The Royal British Legion

The Royal British Legion has been helping ex-Service personnel since its inception in 1921. The charity has a vast volunteer network which helps it to deliver support to the armed forces community. The Royal British Legion currently has more than 120,000 dedicated volunteers, contributing an estimated 2.5 million hours each year (The Royal British Legion, 2017).

DSC's analysis of The Royal British Legion's 2015 and 2016 financial accounts shows that the ratio of volunteers to paid employees stood at 85 volunteers to every paid staff member in 2015 and 91 volunteers to every paid staff member in 2016, emphasising the charity's huge reliance on its impressive volunteer network.

Volunteers provide information and support to beneficiaries and raise public awareness of the charity's work. There are numerous volunteer roles with The Royal British Legion, including:

- Caseworker;
- Information volunteer;
- Admin support volunteer;
- Poppy Appeal collector.

Caseworker volunteers assess beneficiaries' circumstances and check whether they are entitled to support, while information volunteers provide support and information to members of the armed forces community and the public from the charity's 'pop-in' centres. Admin support volunteers support the charity's area office teams, ensuring that the services offered by the charity can run smoothly.

The Royal British Legion's Poppy Appeal is also volunteer led. In 2016, over 300,000 volunteers took to the streets as Poppy Appeal collectors, generating £47.6 million in income (The Royal British Legion, 2017).

3.5 CHAPTER THREE SUMMARY

Income trends

Voluntary income showed an increase from 2012 to 2016, representing an increase of £92 million (22%) over the five-year period. Voluntary income saw a dip in 2014 but recovered and reached a high of £430 million in 2015.

Legacy income grew consistently from around £54.8 million in 2012 to £91.8 million in 2016.

Charitable activities income grew consistently from 2012 to 2015, where it peaked at £286 million and then saw a slight decline in 2016. Average figures for 2017 appear to show an increase in income.

Assets, funds and reserves

Total net assets grew year on year throughout 2012 to 2016, increasing from £1.8 billion in 2012 to £2.8 billion in 2016.

With the exception of 2014, total restricted and unrestricted funds both grew year on year from 2012 to 2016. Total unrestricted funds increased by approximately £600 million, whereas restricted funds increased by £240 million. On average, just over one-quarter (27.5%) of charities' total funds were restricted.

Between 2012 and 2016, the total reserves held by charities increased by over 46% (from £585 million in 2012 to £1.1 billion in 2016). Figures show that average reserves plateaued between 2014 and 2016, despite the overall increase in total reserves in 2016.

Grant-making, governance and staffing

Between 2012 and 2016, the total value of grants distributed by armed forces charities increased by almost £17 million, peaking in 2016, at £52 million. The average value of grants per charity peaked in 2015 at £1.6 million.

Total governance costs remained relatively stable between 2013 and 2015, before peaking in 2016 at £11.7 million, representing a £2 million (21.1%) increase on the previous year.

The number of paid employees increased steadily each year, growing by approximately 22% from 2012 to 2016 to around 8,000 individuals in 2016. There was a large increase in volunteer numbers in 2013. From 2013 onwards, volunteer numbers remained fairly consistent at around 20,000 individuals. The ratio of volunteers to paid employees has also grown consistently and now stands at approximately 3 to 1.

CHAPTER FOUR

The last word: conclusions and recommendations

4.1 INTRODUCTION

This chapter provides conclusions and recommendations based upon the findings presented in this report.

The remit of this research was to explore trends within the armed forces charity sector from 2012 to 2018. To address this remit, DSC devised the following research questions:

- Is the sector growing, shrinking or remaining the same?
- Which types of charities are vulnerable to closure?
- Has there been any evidence of charity mergers?
- What does analysis of the sector's finances reveal?

4.2 IS THE SECTOR GROWING, SHRINKING OR REMAINING THE SAME?

The sector has contracted since 2016

DSC identified 1,888 armed forces charities currently operating in the UK. The total number of UK armed forces charities has reduced by 65 between January 2012 and July 2018. Between 2012 and 2016, the size of the sector remained relatively stable (growing by less than 1.1% per year).

However, from 2017 onwards the sector appears to be contracting (although at a moderate rate). The sector declined by 1.9% (N=37) from 2016 to 2017 and by a further 2.7% (N=55) during January to July 2018 (the cut-off for data collection). DSC will continue to closely monitor the sector to observe whether the sector continues to shrink throughout 2018 and beyond.

A comparison: *2014 Sector Insight* report to now

DSC's 2014 *Sector Insight: UK Armed Forces Charities* provided the first comprehensive overview of how many armed forces charities were operating in the UK (Poza, A and Walker, C, 2014). At the time of writing 1,737 armed forces charities were identified¹⁷.

This report identified 1,888 armed forces charities operating as of July 2018. On face value, it could appear that the sector has grown by 151 charities over the previous four years. However, the inclusion of some 150 new charities does not indicate real-term sector growth but can instead be explained by DSC's evolving methodology.

17. This excludes cadet organisations, which from 2016 onwards, were not deemed to directly support the armed forces community (Cole and Traynor, 2016).

Refined search methods and improvements to the accessibility of OSCR and CCNI data enabled researchers to find 194 new charities, which operated before or during 2014 but were previously undiscovered during *Sector Insight* (2014) data collection.

The 2014 *Sector Insight* report predicted that the sector would continue to contract until 2020 (Poza and Walker, 2014). This has in fact, been the trend observed over the past 2 years, as the sector has shrunk by 4.5% from 2012 to July 2018.

4.3 WHICH TYPES OF CHARITIES ARE VULNERABLE TO CLOSURE?

Association branches appear to be in decline

Association branches (see page one for a definition) are particularly vulnerable to closure. While they currently remain the most common type of charity (with 633 branches overall), they are closing at a rapid rate by comparison to the wider body of armed forces charities.

In total, 173 association branches closed during 2012 to 2018, accounting for over two-fifths (40.7%) of all closing charities during this period, but only 5.8% of all new charity registrations. In 2018, there were 152 less association branches, compared with 2012. Analysis also revealed that association branches were closing at a steady rate each year since 2013.

While the reason for the rapid decline of association branches remains unclear, it could be partly because many association branches were initially established to provide comradeship and social activities for ex-Service personnel following WWII, a beneficiary population which is now in decline. The dwindling numbers of new registrations seem to suggest association branches are not as popular as they once were. Whether association branches now represent an outmoded or dated charity model would be an interesting topic of further qualitative research.

The welfare sub-sector is volatile, with a high turnover of opening and closing charities

The total number of welfare charities (see page one for a definition) operating has remained relatively consistent from 2012, with an overall increase of just 13 charities. However, on closer inspection, this subsector is particularly volatile, with a high turnover of closing and opening charities.

During 2012 to 2018, 135 welfare charities closed and 173 opened. This high turnover means that the cohort of welfare charities operating in 2018 is a considerably different group of organisations to those found in 2012. Overall, close to a third (32.9%) of all welfare charities which closed throughout 2012 to 2018 had an operational lifespan of less than ten years.

Between 2012 and 2017, more welfare charities were opening than closing, although only marginally in 2015 (N=1) and 2017 (N=3). However, in the first six months of 2018 alone, welfare charities closed at three times the rate of those opening.

The Scottish sector appears to be shrinking at a faster rate than the rest of the UK

The Scottish armed forces charity sector appears to be shrinking at a faster rate than the rest of the UK. Throughout 2012 to 2018, Scottish charities have been closing (N=111) at double the rate of those opening (N=56).

In contrast, the ratio of charities closing (N=314) and opening (N=282) in England and Wales throughout 2012 to 2018 stood at 1:0.9. While both sectors appear to be shrinking, proportionately, Scottish charities are closing at a faster rate.

The rapid rate of Scottish charity closures is made more dramatic by the fact that the sector is relatively small to begin with, currently, there are only 291 charities operating in Scotland, including cross-border charities.

In keeping with trends observed in the wider armed forces charity sector, around three-fifths (60.7%) of Scottish charities to close between January 2012 and June 2018 have been association branches. A total of 70 association branches were removed from OSCR during this period.

It is unclear why Scottish armed forces charities are closing at a faster rate than the rest of the UK. Additional qualitative research with participation from Scottish armed forces charities, umbrella bodies such as Veterans Scotland and policymakers would be a useful first step in beginning to understand this trend.

Although regulator data gives a good indication of the number of charities opening on the national level, it is not currently possible to analyse how many charity registrations and closures are taking place at the regional level because beneficiary areas on regulatory databases are not consistently well defined. Further research would be required to investigate whether any specific regions are suffering from large numbers of charity closures.

4.4 WHAT DOES ANALYSIS OF THE SECTOR'S FINANCES REVEAL?

Total sector income has grown annually from 2012

As of July 2018, total sector income was £1.1 billion and expenditure was £939 million, according to the latest financial accounts¹⁸.

The total income raised by armed forces charities has grown from 2012 onwards. Total sector income increased consistently each year from 2012 (£741 million) to 2015 (£1 billion) and then remained stable into 2016. Financial data for 2017 is limited to the first six months of the year, total sector income generated from January to June 2017 was around £644.4 million.

Average income experienced a growth of 10.8% in 2014, but otherwise, remained relatively stable throughout the period, fluctuating between -3.5% and 5.2% growth each year.

Much of the sector's income is concentrated among the largest 45 charities

The sector's financial health is heavily reliant on the 45 largest charities, who represent only 2.4% of all armed forces charities, but who generate the bulk (74.1%) of the sector's total income. Financially speaking, The Royal British Legion represents the largest forces charity, and alone, contributes a significant proportion (15.6%) of the sector's income.

In contrast, micro and small charities (N=1,319) make up three-quarters (74.5%) of all armed forces charities yet collectively, they contribute around 2% of the sector's total income. This largely mirrors trends within the wider charity sector, where sector finances are also dominated by the largest organisations. Research conducted by NCVO found that 82% of the UK charity sector is made up of small and micro charities, which contribute less than 5% of total income (NCVO, 2018).

¹⁸. This is based on the latest financial accounts available, of which 0.2% related to the 2017/18 financial year, 19.0% were 2017, 49.7% were 2016/17, 23.0% were 2016, 6.8% were 2015/16 and 1.1% were 2015 data.

It is important to note that charities' contribution to total income does not reflect a value judgement on their ability to adequately serve the armed forces community. Many small charities have a big impact. Although financially smaller charities generate less income, their mission is often to deliver specialist or niche provision to specific beneficiary groups or local communities, which can often be achieved on a small budget.

DSC's analysis has shown that the income of even the largest organisations can fluctuate quite dramatically from one year to the next. However, analysis of the largest charities' finances' show that they currently hold financial reserves which have been steadily increasing year on year from 2012. Average reserves held by armed forces charities with an income of over £500,000 rose from £6.1 million in 2012 to £7.8 million in 2016. Large charities are therefore, relatively well placed to respond any unexpected or unfavourable conditions within the sector.

Welfare charities' finances offer insights into public giving trends

Welfare charities account for around two-thirds of all income (66.6%) and spending (67.8%) alike. As welfare charities are the type of forces charity most reliant on public donations, analysis of their income provides useful insights into trends in public giving.

There have also been challenges in the armed forces charity sector within recent years, including a lack of visible conflicts post Iraq and Afghanistan, calls to consolidate the sector and a substantial amount of negative media attention (Ashcroft, 2014; Hayes, 2017; Radojev, 2017).

Despite these challenges and the high turnover of opening and closing welfare charities, welfare charities largely weathered the storm throughout 2012 to 2016. During this period, the average income of welfare charities remained within a range of £1.7 million to £1.9 million.

2017 presented a challenging climate for all UK charities, particularly in regard to public trust and confidence. A host of high-profile charity scandals sparked concerns over reduced public giving. It is currently unclear whether this has translated into falling income for UK charities, and indeed, if this is the case, whether this trend has penetrated the armed forces charity sector.

At this stage, there has been little analysis published on the financial impact (if any) that 2017's challenges have had on the wider sector. Early analysis from HaysMacintyre, found that the 'top 100 UK charities' experienced the sharpest fall in voluntary income for twenty years, across three successive quarters, from quarter-three of 2016 to quarter-one of 2017 but it remains unclear whether this will continue throughout the rest of 2017 (Preston, 2018).

At the time of writing, data was only available for the first six months of 2017 and some of the largest charities had yet to submit accounts. DSC will continue to monitor income trends throughout 2018 and beyond.

4.5 ARE THERE 'TOO MANY' ARMED FORCES CHARITIES?

Existing criticism

The size of the armed forces charity sector has often come under fire in media reports, suggesting that there are 'too many military charities' (Radojev, 2016) operating in 'a bloated sector' (Hayes, 2017).

Similar concerns have been voiced within the policy arena. Notably, Lord Ashcroft's 2014 transition review emphasised the need to consolidate 'the complex maze of welfare organisations' to avoid duplication of services. (Ashcroft, 2014). Ashcroft also

recommended the introduction of a 24/7 signposting service, which has since been delivered in the form of the Veterans gateway (Ashcroft, 2017).

‘Actual size’

To put the size of the UK armed forces charity sector into context, the 1,888 armed forces charities identified by DSC represent only 1.1% of all charities currently registered in the UK¹⁹. This figure is relatively small when compared to other charitable subsectors, such as health, which is estimated to include 6,500 charities (3.9%) or education, which includes 7,650 charities (4.5%), (NCVO, 2018).

This report has also shown that overall, the number of armed forces charities is in fact decreasing, with association branch charities particularly in decline.

Diverse beneficiary population

While there are 1,888 armed forces charities operating in the UK today, they cater to an extremely diverse beneficiary population. Although members of the armed forces community share a common employer, they represent a highly diverse group with differing sociodemographic identities.

According to the latest MOD figures, the number of UK ex-Service personnel is projected to reach 1.6 million by 2028, many of whom may have spouses/partners or dependents who are also entitled to support (MOD, 2019).

Notably, micro and small charities with an income under £100,000 make up around three-quarters (74.5%) of all armed forces charities. DSC’s series of *Focus On* reports have explored charitable provision through a topical lens, finding that small groups of charities have been found to serve large beneficiary populations and quite often deliver niche or highly directed services (Cole et al., 2017; Doherty et al., 2017; Doherty et al., 2018a and 2018b).

Competition for resources

Concerns about competition for limited resources is a common theme of concern. While there are clearly limited resources available, concerns regarding public donations are perhaps less well founded, as only a quarter (25.9%) of armed forces charities are defined specifically as welfare charities (N=489), which are heavily reliant on public donations. Other types of armed forces charities such as Service funds and associations and association branch charities don’t tend to rely on public fundraising as a primary source of income, and this distinction is important to realise when considering competition for publicly generated resources.

Evidence of mergers and collaboration

In the policy arena, there has long been calls for consolidation within the sector (Ashcroft, 2014). More recently, a report by New Philanthropy Capital also identified significant opportunities for mergers within the sector, particularly among charities in the ‘squeezed middle’, where 22 large and major charities that annually bring in over £100 million could be consolidated (NPC, 2018).

19. This figure is based on the total number of charities registered on CCEW, OSCR and CCNI websites as of January 2019.

In total, DSC identified 31 armed forces charity mergers from 2012 to June 2018 ²⁰. See page 15 for a case study on The Royal Marines Charity and The Royal Marines Association, an example of a recent, successful charity merger.

The vast majority (93.5%) of charity mergers took place between charities solely operating in England and Wales (N=29) and two involved cross-border charities. Almost two-thirds (64.5%) of new charities formed via mergers were welfare charities, while the remaining were heritage charities (22.6%) and Service funds (12.9%).

While there has been some evidence of charity mergers, the greatest consolidation has come in the form of increased partnership and collaboration. While this report didn't examine collaboration as a sector trend, DSC's *Focus on series* found evidence of a culture of collaboration over recent years. Across all topics examined in the series, rates of partnership have been consistently high; 68% of mental health providers partner with other charities, in addition to 59% of employment and education providers, 61% of physical health providers, and 73% of housing providers. DSC's research has consistently shown evidence of a highly collaborative and organised body of armed forces charities.

4.6 RECOMMENDATIONS AND FURTHER RESEARCH

Research into mainstream charities which support the armed forces community

This project focuses exclusively on organisations which meet DSC's definition of an armed forces charity (for definition see page xi); however, as acknowledged at the beginning of this report, members of the armed forces community may access support from the wider charity sector.

In fact, many mainstream charities now operate veteran-specific programmes, with notable examples including Shelter, The Royal Foundation, Venture Trust, Step Together and Alabaré. Although these charities fall outside of DSC's definition of an armed forces charity, they undoubtedly provide a valuable source of support to the armed forces community, with many actively working alongside armed forces charities ²¹.

The provision delivered by mainstream charities is a worthy topic of further research and raises several interesting questions. Firstly, to what extent do mainstream charities support the armed forces community and how well are they equipped to do so? Secondly, do members of the armed forces community prefer to access help from armed forces charities and are they better placed to deliver these services?

It would also be interesting to examine the extent to which LIBOR funding has attracted mainstream charities to provide support for the armed forces community, and how LIBOR funded projects can be sustained now that the scheme has come to an end. A total of £773 million was distributed since 2012, to charities which support the armed forces and the emergency services (HM Treasury, 2017).

Assess regional need and existing support

This report identified 1,888 armed forces charities operating in the UK. This prompts the question of whether the current level of provision is meeting the needs of the UK armed forces community.

20. In total, 27 mergers were identified by searching CCEW's register of merged charities. CCNI's register of merged charities did not include any armed forces charities and OSCR does not currently publish a register of charity mergers. An additional four charity mergers were discovered by researchers performing online searches.

21. For DSC's definition of an armed forces charity, see page xi.

This is an extremely difficult question to answer given that the armed forces community is a hugely diverse population with multiple, often complex needs. While academic research has begun to profile and assess needs of the UK armed forces community, more work is needed to improve the existing evidence base.

This report has provided a broad overview of armed forces charities operating at the national level, including a breakdown of those registered in England and Wales, Scotland and Northern Ireland. One notable finding has been that the Scottish armed forces sector is shrinking at a faster rate compared with the rest of the UK.

However, more work is needed to assess the level of provision available at the regional level and identify high-priority areas which may face gaps in provision. It is currently difficult to identify areas which may be under-served, as beneficiary areas are often broad or undefined in charities' regulatory profiles. This is further hampered by the fact that research on the regional spread of UK's armed forces communities is not yet comprehensive enough to be reliable.

On a positive note, the 2021 census will include questions targeted at the armed forces population for the first time, which will help researchers to gain a better understanding of current levels of need and highlight geographical areas which would benefit from the additional presence and support of armed forces charities. DSC has recommended this since 2016 (Cole and Traynor, 2016) and the addition is most welcome.

The future publication of the Covenant-funded 'Map of Need' (commissioned in April 2017), will also help to expand this evidence base by providing an in-depth 'analysis of what veterans and armed forces families services are being sought and where' (MOD, 2017).

Improve methods of identifying armed forces charities

Identifying armed forces charities is a hugely complex task. Regulatory sites do not currently offer any comprehensive method for finding armed forces charities. Although the CCEW provides an 'Armed Forces and Emergency Services Efficiency' tag (code 114), in practice, this has limited application and incorporates other blue-light service providers. Furthermore, as such tags are not mandatory, charities are able to freely choose how they are defined and labelled within regulatory datasets and many of the most well-known armed forces charities, such as SSAFA, Help for Heroes, and The Royal British Legion do not currently use this tag.

This has obvious implications for anyone who wishes to search for armed forces charities or to undertake independent analysis of the sector. In total, 971 registered charities were returned when the CCEW tag was used, only 389 of which met DSC's definition of an armed forces charity (see page xi for definition) and were included in the report. Whereas, DSC's comprehensive search method identified 1,615 CCEW registered armed forces charities (including 40 cross-border charities). This considerable variance emphasises the unreliability of using the 'tag' method to accurately find armed forces charities.

It may also present problems for regulators, by impacting their ability to identify armed forces charities when disseminating information on specific types of charities. DSC, therefore, proposes introducing a universal tag across all three regulator sites which would make it easy for all interested parties to accurately search for armed forces charities. There would of course be an onus on the charities themselves to identify themselves by this tag, which could be encouraged by the three regulators.

A word from the authors

DSC has been researching and publishing analysis on the armed forces charity sector since 2014. Through our work, we have always striven to provide a resource through which readers can better understand the charities which proudly support the armed forces community.

It is hoped that this report will be used by policymakers, the media and charities themselves, to provide clarity of knowledge and data on UK armed forces charities and their many beneficiaries.



Rhiannon Doherty
Senior Researcher



Anthony Robson
Researcher



Stuart Cole
Research Manager

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Appendix

Table 3. shows the keywords used to identify armed forces charities registered with the three UK charity regulators. The search process included keywords that were previously used by DSC to identify charities in *Sector Insight 2014* and additional keywords employed in this report to broaden the search parameters.

The character ‘*’ indicates that a ‘wildcard’ was used in the search process. The asterisk symbol is used to represent one or more ‘missing’ characters, allowing for multiple variations of a keyword to be searched. For example, the keyword ‘Nav*’ returned results for ‘Naval’ and ‘Navy’.

Table 3

Keywords used to identify armed forces charities			
Airborne	Aircrew*	Airmen*	Air Force*
Armed	Army	Battalion*	Combat
Conflict*	Corps	Discharge*	Enlisted
Force*	Her Majest*	Hero*	Highlander*
Infantry	Marine*	Military	Nav*
Officer*	Pilot*	RAF	Regiment*
Reserve*	Rifles	Royal	Sailor*
Security forces	Security personnel	Servi*	Soldier*
Veteran*	War	Warrior*	Wounded
Yeomanry	PRI ²²	Ex-Service'	

22. President of the Regimental Institute (PRI)

Armed Forces Charities

- Sector Trends 2019

This report follows on from the Directory of Social Change's (DSC) *Sector Insight* reports on UK armed forces charities, a series which DSC has been publishing since 2014. Building on these broader studies, the *Focus On* series exists to provide a more specific analysis of the work of armed forces charities across the UK – in this case, by examining sector trends throughout 2012 to 2018. This study contributes to DSC's growing body of research on the armed forces charity sector, which also includes the www.armedforcescharities.org.uk website.

This report provides an overview of armed forces charities' sector trends, focusing on:

- The number and types of UK armed forces charities
- Whether the sector is growing, shrinking or remaining the same in size
- Patterns of opening, closing and merging charities
- Which types of charities are vulnerable to closure
- Analysis of charities' financial accounts

This is a unique resource for charities, government, policymakers and researchers to understand recent trends within the armed forces charity sector. This subject area has been thoroughly explored to provide a body of evidence and insightful analysis which informs of policy, practice and research.

'The need for policy makers and service providers to consider the Armed Forces community from an evidence-based position and with a proper understanding, features as one of the five cross-cutting factors in our Veterans Strategy. This report makes a helpful and significant contribution to this evidence base by increasing our understanding of the Armed Forces charity sector.'

Lieutenant General Richard Nugee CVO CBE, Chief of Defence People, Ministry of Defence

'This latest report in the *Focus On* series is a must read for those making decisions about resources, how they can be generated and where they are best deployed, as well as for those who commentate responsibly about the sector. The UK's Veterans Strategy draws heavily on DSC's work, and rightly so. It is authoritative and illuminating: rare, but invaluable, qualities.'

Air Vice-Marshal Ray Lock CBE, Chief Executive, Forces In Mind Trust