PHILANTHROPY IN THE 21ST CENTURY

LINDSAY DRISCOLL & PETER GRANT

A DISCUSSION PAPER PREPARED FOR THE HONORARY TREASURERS FORUM

Cass Business School
CITY UNIVERSITY LONDON

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The Honorary Treasurers Forum would like to thank our sponsors for their help in supporting our work generally and for supporting the production of this report.

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Published by Alliance Publishing Trust

ISBN 978 1 907376 01 6

Alliance Publishing Trust
1st Floor, 25 Corsham Street
London N1 6DR
UK
publishing@alliancemagazine.org
www.alliancemagazine.org

Registered charity number: 1116744
Company registration number: 5935154

A catalogue record for this book is available from the British Library.

Typeset in Grotesque MT
Design by Benedict Richards
Printed and bound by Hobbs the Printers, Totton, Hampshire, UK

This book is printed on FSC approved paper.

Contents

Foreword by Andrew Hind, Chief Executive of the Charity Commission

In 1889 Andrew Carnegie famously wrote that 'he who dies rich dies disgraced'. One hundred and twenty years later, after several decades in which the mantra of personal gain seemed to reach near-universal ascendancy, this sentiment finally appears to have come full circle.

The 21st century, young though it is, has already seen dramatic swings in the views of citizens about their individual and collective responsibility to support charity. We are currently witnessing a renaissance in the idea that we are all part of society and all share a responsibility for the way that our societies develop in the future. Charities themselves have reached an unprecedented social and political prominence, aided in part by their confidence to campaign for social change and their willingness to embrace the need to be open, accountable and transparent.

This timely report focuses particularly on the role of foundations, the top 500 of which spend at least £2.7 billion a year on charitable endeavour. The Commission warmly welcomes contributions such as this to the debate over how charitable foundations can most effectively use their resources. We are encouraged by the emphasis on how foundations are reporting the added value of their grant-giving in the context of public benefit.

I congratulate the authors on a report that takes a clear-sighted and even-handed approach to the issue of the place of philanthropy in the evolving future of our charity sector.

Chairman's overview and recommendations

This innovative report is the first to reassess the role and functions of UK charity foundation management critically, encompassing both national and international perspectives. Although this research began in early 2008, since when the economic situation has dramatically changed, the message and recommendations of this report are now even more relevant and pressing.

Many UK charities are experiencing extreme financial pressure, or will do so in the next few years. Many valuable services and activities could be lost. It is therefore vital that every penny possible is made available to charities, and that every penny should be spent effectively.

The funds that charities receive from foundations are especially valuable, as they are not subject to the same restrictions as those from government sources or quasi-government sources, such as the National Lottery.

Foundations therefore have a critical role to play at a time of recession, but those whose funds come from an endowment also find their resources under strain. The logical outcome is that these foundations are likely to reduce their contributions exactly at the time when they are needed most.

But is this outcome inevitable? Endowed foundations need to ask themselves whether they should spend a higher proportion of their funds in time of crisis, but they should not have to do this unsupported.

The ideas put forward in this paper suggest that all the key agencies need to play their part. Therefore my own conclusions from this report would be to recommend the following:

The government should:

- Establish a minimum distribution quota for endowed foundations of 3.5 per cent per annum averaged over five years. In years when the Bank of England exchange rate is below 2 per cent for more than six months, this minimum quota would be waived.

- Encourage efficient grantmaking by providing financial support for new and existing umbrella charities that will ‘pool’ the funds of foundations wishing to use this service, and promote donor advised funds.
- Consider enhanced tax incentives for donations to these donor advised funds.
- Urgently revisit the rules around remainder trusts with an independent specialist committee, to report within six months on the viability of amending tax allowances.

Foundations should:

- Urgently review their current commitments and policies to ensure their funding models are impact based and take into account the life cycle of the recipients of their funds.
- Review their governance and grantmaking procedures to ensure they focus on strategy, and to make sure that risk is appropriately managed.
- Report on the added value of their grant-giving in the context of public benefit.

Bruce Gordon
Chairman of the Honorary Treasurers Forum

Background

The history of philanthropic giving in the UK in the last 150 years is usually depicted as falling into three periods:

- The 'golden age' of philanthropy in the late 19th century, epitomized by the deeds of Andrew Carnegie and his maxim 'he who dies rich dies disgraced'.
- The nadir of philanthropy following the creation of the welfare state; in 1948, 90 per cent of people agreed that there was no longer a role for charity in Britain.
- The 'rebirth' of giving in the late 20th century, with a breed of new philanthropists led by, most prominently, Sir Tom Hunter.

This history is contrasted with that of the US, where a 'steady state' of philanthropic giving is identified, unaffected by state welfare and recently (at least, before the recession) reaching new levels of intensity.

When examined in greater depth, this picture is a significant over-simplification. The 'golden age' is something of a myth. Overall levels of giving in the late 19th and early 20th centuries were not significantly higher than in the decades immediately preceding or following. A small number of very prominent individuals, whom historians have taken to be indicative when they were actually the exception, have coloured the picture. Though the public might have thought that charity would 'wither away' after the Second World War, they did not significantly alter their own charitable giving, and many new forms of charitable action came to the fore to sit alongside more traditional models.

With regard to recent trends, there has not been an upsurge in charitable donations to match the improvements in the economy in the 1990s and early 2000s. Giving changed little in the early years of the 21st century, and there were as many negative as positive signs.[1] One can also ask whether the 'new philanthropists' are really as new as some would claim. Tony Rogers, the then-chief executive of the Charities Aid Foundation, said 'we are seeing a new wave of philanthropic giving driven by people who want to be innovative, who are explorative by nature. They see their actions as social investment rather than straightforward charity.' Is this type of motivation very different from that of Andrew Carnegie or Lord Nuffield's generations? They too saw themselves as innovators, investing in charitable organizations for the long term and expecting to see measurable results from their investments. When Tom Hunter comments that 'I don't want to take £1 billion to my grave with me', the link with Carnegie is more than clear.[2]

But even if one considers the 'new philanthropy' simply to be the old philanthropy in a new set of clothes, and notwithstanding the lack of a positive trend in donations, there are still some encouraging signs.

There is significantly greater scholarly interest in philanthropy. Organizations such as the Institute for Philanthropy, Philanthropy UK and New Philanthropy Capital are raising the visibility of philanthropy and fundraising in the UK. Academically, there are several degree courses in fundraising and a masters-level programme in Grantmaking, Philanthropy and Social Investment at Cass Business School in the City of London. Cass has also become the lead university in the Research Centre for Charitable Giving and Philanthropy, the first of its kind in the UK (with a sizeable public investment). This is part of an increased global interest in philanthropy, with the first Philanthropy Global Summit organized by the Council on Foundations being held in Washington in May 2008.

Foundations in the European Union have seen a dramatic growth in the last 15 years. One important feature in Europe is the striking diversity of its foundations. The laws on foundations vary considerably across Europe, as does the definition itself. An important survey of foundations in Europe, looking at their scope and growth, was published by the European Foundation Centre last year.[3]

While it is true that charitable giving (in terms of both the proportion of people who give and the amounts given) is consistently lower in the UK than in the US, and though Britons contribute slightly less than 1 per cent of GDP to charities, the UK is still ahead of every other comparable country, with the

[1] See for example *UK Giving 2007* (NCVO and CAF, 2007).

[2] See for example Beth Breeze, *Is the New Philanthropy Really New?,* paper given at the 3rd International Voluntary Action History Society Conference, Liverpool, 2008.

[3] *Foundations in the European Union: Facts and figures*, report on work by the EFC research task force, May 2008.

exception of the US. The UK is therefore fertile ground for charities, but there could clearly be an expansion of giving, especially from the richest groups who, proportionally, contribute less than those on lower incomes.[4]

Writing in August 2007, Fiona Hodgson commented:

> The UK presents a dynamic, rapidly growing market for both philanthropy and fundraising. High net worth individuals in the UK are increasingly looking for global opportunities in philanthropy. The government places a high priority on encouraging private giving, through tax incentives and private/public leveraging of funds. Fundraising has become a well-regarded profession. Philanthropy is once more accepted in the main stream. The healthy UK economy and continued rapid growth in private wealth accumulation auger well for a bright future for philanthropy in Britain.[5]

A year later, as Britain entered a dramatic economic recession, Hodgson's remarks appeared somewhat over-optimistic, though not entirely misplaced. The task now is to ensure that levels of giving are at least maintained.

The quotation suggests that government intervention can make a significant difference to the climate of philanthropy, and that both legislation and policy can act as a stimulus to giving. Hodgson cites two examples of positive government action: Gift Aid, created in 1990 and now accounting for 90 per cent of all tax-efficient donations in the UK, which allowed high tax bracket donors to claim personal tax relief for the difference between the standard and higher tax rates, and the Finance Act 2000, which gave capital gains tax and income tax relief on gifts of shares, land and buildings to charities. Recent research by HM Revenue and Customs also found that potential wealthy donors viewed tax reliefs very positively. Though their knowledge of the range of potential reliefs was limited (with, for example, little knowledge of the incentives available for giving shares, securities, land or buildings), the overall conclusion was that if tax reliefs on charitable donations were to be used more widely by wealthy people, general levels of awareness would be improved.[6] In the last year there have been increased discussions on tax reliefs, which include the consultation on Gift Aid culminating in the government response in March 2008,

[4] See for example Beth Egan, *The Widow's Might: How charities depend on the poor*, Social Market Foundation, 2001.

[5] Fiona Hodgson, *The Top Ten Trends in British Philanthropy*, onPhilanthropy, 29/08/2007, www.onphilanthropy.com/site/News2?page=NewsArticle&id=7219, accessed on 23/1/09.

[6] *The Commission's New General Duty on Charitable Giving*, Charity Commission Board Paper (08) OBM 11, March 2008.

with recommendations in the Policy Exchange report *Give and Let Give*[7] and new lobbying for charity remainder and lead trusts.

It is sometimes asked whether regulation is a help or a hindrance to philanthropy. During the debates of the Joint Committee on the draft Charities Bill in 2004, some of those giving evidence suggested that foundations were over-regulated and that there needed to be a new light-touch regulatory regime for foundations, distinct from that for operating and fundraising charities.[8] There was also specific reference to the reporting requirements of foundations. This was not addressed directly but led to a provision in the Charities Act 2006 that, in performing its functions, the Charity Commission must act in a way that is compatible with the encouragement of all forms of charitable giving.

[7] *Give and Let Give,* Policy Exchange, 2007.

[8] Report of proceedings of the Joint Committee on draft Charities Bill, 16 June 2004.

Terminology and issues

The term philanthropy can be used in a broad sense to cover all charitable giving, including direct giving, or, in a narrower sense, to mean giving through a foundation with the added value of knowledge of the sector and grantmaking expertise. We use the term 'foundation' throughout this paper to refer to grantmaking foundations only. We also concentrate on those foundations whose grantmaking is of some significance – at least a six-figure sum per annum. As some of our respondents have pointed out, this is a more specialized area. David Emerson, chief executive of the Association of Charitable Foundations, commenting on an early draft of this paper, said that 'in the early years of a family foundation, when a living settlor is very active, the family may see the foundation primarily as a vehicle for tax-efficient giving, rather than as a "foundation" in the sense described in the paper'.

We would agree with David's observation but suggest that by adopting this approach the family would be limiting its horizons. In common with other writers, we believe that foundations are unique organizations that are able to act most effectively when they work as an organization rather than as an extension of individual giving, and we explore this point in more detail later.[9]

This paper explores which legal, fiscal and regulatory policies would be most likely to encourage more effective philanthropic giving in Britain over the next ten or so years. The authors consider a number of broad issues such as:

- What are the barriers to more effective philanthropy?
- How can the impact be increased?
- Should there be a separate regulatory regime or rules for foundations as is the case in most other jurisdictions?
- Do we need new tax incentives?

[9] For example Diana Leat and Helmut Anheier in their book *Creative Philanthropy*, Routledge, 2006.

- How far should a foundation use its investments to further its purposes and thus increase total impact?
- How can tax-effective cross-border giving to a public benefit organization in another country be facilitated?
- How can close involvement by philanthropists in grantmaking, which seeks both impact and the anonymity of the funder, be best facilitated?

Methodology

In exploring these questions, the authors first carried out a scoping study to identify the key issues. To do this, we sought expert opinion that reflected a range of viewpoints: a broad panel of experts was convened by invitation and they responded through both correspondence and one-to-one interviews on specific aspects and topics. In addition to seeking views from the UK, experts were approached from the US, Canada and Europe to ascertain whether we could learn from measures that work well in other jurisdictions, and be warned off measures that cause problems. The use of the expert panel ensured in-depth and highly informed initial coverage. The panel for this work, which formed the starting point for exploration in this field, focused on professional expertise in foundations rather than lay expertise from foundation boards. The use of an expert panel was a flexible approach that provided a core thread for further consideration by the authors and a selection of issues by the Treasurers' Forum.

In the last year there have been a large number of reports looking at some of the questions and key issues identified in the scoping study, particularly tax, social investment and cross-border giving. In view of this, the authors concentrated on issues where there has been less discussion, particularly how to increase impact through improving the effectiveness of the grantmaking process.

Below we present our findings under eight broad headings:

- Establishing 'umbrella' donor advised funds
- Making philanthropy more effective
- Encouraging good practice
- Operational process design
- Social investment
- Establishing a 'distribution quota' for endowed foundations
- New tax incentives for donors
- Cross-border giving

Establishing umbrella 'donor advised funds'

The issue of how best to set up a fund in the region of £3 million to £5 million to maximize the impact was discussed by several respondents.

The response from the Sainsbury Family Charitable Trusts argued that too much regulation and too many compliance requirements are stifling philanthropy, as the regulatory requirements have led many professional advisers to recommend that it is easier to give one-off Gift Aid payments to charity rather than set up a new foundation. They argue that this discouragement is negative and that it can be more effective to set up a foundation, because grantmakers can build up expertise and relationships with donees, which gives added value and increases effectiveness.

In their response, the Community Foundation Network recommended that there should be a serious look at the private charitable trust vehicle, as a significant majority of settlors take the view that, for an amount less than £5 million, a CAF trust or a community foundation is a much more effective vehicle. The authors find some merit in both points of view. Indeed both are essentially arguing that expertise in funding leads to more effective grantmaking.

The community foundation is the best-known version of a donor advised fund, which is a very old concept. A community foundation is essentially a collection of funds on a geographical basis where the donor can exercise as much, or as little, control as they wish. The major advantages of this system are that they:

– Provide economies of scale by bringing together many small funds under one umbrella body, ensuring that administrative costs can be minimized. This is a chronic problem in grantmaking bodies. There are an enormous number of grantmaking foundations in the UK, some distributing as little as £100 a year. While small sums may be effective at a very local level, many of these funders actually have quite wide objectives. For example, there is at least one funder whose income is less than £2,000 per year and whose objective is to 'eradicate world poverty'. These organizations are being added to every year. Such a situation is not conducive to effectiveness.

- Ensure that the donor advised fund has strong funding systems and knowledge, and that new funding ideas are not inhibited by having to set up administrative processes from scratch.
- Provide specialist local knowledge that a national organization could not possibly be expected to have. This is the reason that several government and National Lottery programmes have been administered at a local level by community foundations.
- Bring together a mix of knowledge and expertise in both fundraising and fund distribution. This gives them, as funders, more insight into the needs and problems faced by recipient organizations, thus helping to ensure that 'funder-led' decisions are not taken in isolation of the recipients.
- Do not become 'intoxicated with the power of the funder'. As they are dealing with funds from many sources, they have to remain cognizant of the wishes of a range of stakeholders. They are also able to 'plug gaps' in local need by utilizing the funds they hold, over which they have more direct control.
- Provide a strong degree of funding effectiveness through a number of objective evaluations of their work.[10]
- Ensure the settlor is free to focus on the effective *doing* of their philanthropy, as they are freed up from the ties of administration and regulatory overheads.
- Allow the settlor to retain anonymity if desired.
- Establish a proactive and supportive relationship with the donor.
- Avoid the problem of dormancy and/or the extreme ineffectiveness that can affect private charitable trusts when trustees get old, their interests move on, or key people die.

The growth of community foundations in both the US and the UK, and now in many other parts of the world, is testament to their effectiveness in spreading their message, even if objective measurement is still limited to a few studies. However, a community foundation is a specialized version of a donor advised fund – one based on geographic communities. In the US in particular, there are

[10] See for example the evaluations of the Fair Share Trust (Big Lottery Fund website) and the grants made by Community Foundation Network under the Capacity Builders programme.

also a number of donor advised funds that are non-geographic, based instead on 'communities of interest' or specific social problems, along with a few that are quite general in nature. The majority of these, however, are operated by legal or financial institutions rather than public-interest grantmaking or funding specialists. Our view is that such bodies are not always the ideal leaders of social investment organizations.[11] These donor advised funds are also run on a commercial basis, the operators being profit-distributing bodies whose fees are linked not to the effectiveness of the grants they make but to factors such as the size of the investments they oversee or the amount of funding they distribute. There is clearly a role for donor advised funds linked to legal and financial institutions, and this could be expanded in the UK, but this does not preclude the development of new donor advised funds – either generalist or related to communities of interest. This is an area that would benefit from greater diversity and choice.

The Charities Aid Foundation is already working in this area. CAF provides a trust service for individuals, whereby they will set up and manage a grant-giving trust fund, thus relieving the donor of the need to register with the Charity Commission and correspond with the Inland Revenue. As part of the service, they will also enable donors to choose the charities they wish to support and give advice on the charities that would meet the donor's criteria. They will also assist the donors in getting more actively involved in the charities they fund.

The authors believe that there is scope for the establishment of more 'umbrella donor advised funds'. These could build on the excellent work already undertaken by the community foundations and CAF but extend it to a far wider range of potential funds and recipients. For example, 'community of interest' donor advised funds could cover specific fields such as older people's health, activities for young people, the arts, environmental protection, international development or social justice. A donor advised fund established for a specific area of interest such as the arts would be able to have specialist grants officers with expertise and experience in the area, and develop close links with charities operating in the arts. They would also be able to identify funding gaps. An example of this is where the Environmental Funders Network carried out a mapping exercise for green grants and found that transport was an underfunded area. With this knowledge, philanthropists could be enabled to engage with the recipient charities. A step in this direction is the recent establishment of Rosa, a charity that has been set up not only to raise funds and encourage philanthropy in the field of issues affecting women and girls, but also to contribute to policy and promote awareness of key issues. This model of making grants in a specific

[11] See also Joel Orosz, *Effective Foundation Management*, Altamira Press, 2007.

interest area, while also raising awareness of the related issues, is one that could be adopted more widely.

It would not be impossible for such funds to be encouraged by ‘seed funding’ from the government, through, for example, the Office of the Third Sector or the Big Lottery Fund. This would act as a catalyst to potential investors fearful that much of their investment might be expended on costly administration. Public funding might also pay for comprehensive evaluation of the investment programmes of the donor advised funds. Such a body might also sit alongside other donor advised funds that operate on different models, such as those more closely allied to their US counterparts.

A possible incentive for the creation of donor advised funds would be the introduction of an enhanced tax incentive for donations. A precedent for this is found in the US state of Michigan, where a tax credit for gifts by individuals and businesses to community foundations to build their permanent endowments was introduced 20 years ago. The credit is equal to 50 per cent of the donation, with a cap of $100 for a single return. This is in addition to the deductibility for federal tax purposes. A report of the total tax credits made under this scheme is published annually, with the last report published showing that individual and business taxpayers claimed more than $3.7 million in 2005. One question could be how this enhanced tax incentive is viewed by other charities. It would seem that this is not a major issue in Michigan as the tax credit is for endowed funds only, and charities are encouraged to hold their endowed funds with local community foundations.

Making philanthropy more effective

There is no doubt that many foundations throughout the world are positively seeking ways in which to work more effectively – in the sense of ensuring that what they fund has a measurable and positive impact on both beneficiaries and communities. This has led to an increasing demand for funding applicants to define the outcomes – the changes – that their work is intended to achieve. This, in turn, means that a greater emphasis is being placed on evaluation and seeking ways to measure change.

Another recent trend, especially in the UK, has been towards 'capacity building' (increasing the capabilities and professional skills of organizations) and 'full cost recovery' (ensuring that grantees are paid not just the immediate project costs of their work but also a proportion of their core overheads as well).

Both of these moves are soundly based, though their introduction has not been without its problems. Outcome funding is not simple when the majority of voluntary organizations do not currently work on these lines, and full cost recovery is still more of an aspiration than a reality, especially as it quite obviously reduces the number of grants a foundation can make.

These problems are being recognized and may be overcome if there is the will to do so. There are, however, some other impediments to funding effectiveness that are not currently sufficiently understood.

One issue is the fact that if capacity building of organizations is necessary, this clearly indicates that voluntary bodies, like any other type of organization, are all at different stages of the 'organizational life cycle'. Some are entirely new, some are in the growth stage, others are reaching maturity, and yet more are in various stages of decline. This fact is not sufficiently recognized in many of the funding models utilized by foundations. Their application and assessment processes tend towards 'one size fits all', which is obviously far easier for them to operate. Some foundations severely restrict their 'pool' of applicants by adopting funding models that they perceive to be 'superior' to others. This criticism is not too problematic if the funder understands that they will therefore be concentrating their investments on a group of organizations all at a specific stage in the organizational life cycle rather than achieving the greatest impact in a particular field of activity. Unfortunately, some of them do not appear to understand this limitation. They advertise that they are a new kind of funder in a particular field and that *their* funding model will be the most effective to bring about changes in that field. It won't be. If the funding model works (and only evaluation of the outcomes will demonstrate this), it can only work with a specialized group of organizations working in that field. Voluntary organizations, even within one particular field, come in all types and sizes and no one type or size is likely to be more effective than another – there will be a host of other factors that have an impact. Therefore, surely funders should have a range of funding models that they can apply, and application and assessment processes that can take account of the different life cycle stage of their applicants?

One way in which these processes can be developed is to recognize that if you are funding a project, there are two main questions that a funder should ask. The first is: 'if this project works, what will the outcomes be?' The second is: 'is this organization capable of achieving the planned project?' Only one of these questions is about outcomes – the other is about organizational ability, and they are quite separate. Too often foundations confuse the two into one assessment system. This frequently leads to either a good idea that the funded organization is incapable of delivering, or a project run by a sound organization that achieves very little. The funder then wonders why this has happened. The answer often lies in the failings of their own processes.

The comments received from New Philanthropy Capital are particularly relevant in this area. NPC believes that foundations should:

- Use their resources as effectively as possible to make a difference to those they aim to help.
- Consider the effectiveness of both how and what they fund.
- Be responsive to need, and fund organizations that can demonstrate their capability to make a difference.
- Consider the impact of their approach on their grantees and applicants.

In the last few years, the Charity Commission has placed a greater emphasis on the impact of charities' activities, including grant-giving. The introduction of the Standard Information Return has required all charities with an income of over £1 million to explain the impact of the activities carried out to further their purposes. The Charity SORP (Statement of Recommended Practice) also requires an explanation of performance achieved against objectives set. In addition, the new public benefit reporting requirement for all charities, including foundations, will force trustees to consider carefully how they are carrying out their charitable purposes for the public benefit. Most of the focus of the discussion on the public benefit requirement has been in the context of fee-charging charities and, to some extent, religious charities, but this is an area where there could be more discussion on the application of the principle to foundations.

One approach is, of course, for foundations to report on public benefit in terms of the benefit delivered by their grantee charities, but in some sense this could be seen as 'double counting' of the public benefit – once by the foundation and once by the charity in their reporting. A more meaningful approach would be for trustees of foundations to demonstrate the added value of their grant-giving. This could be done in terms of such factors as capacity building, research, influencing policy, raising awareness and leverage of additional funding.

An emphasis on impact must not, however, operate to prevent foundations from engaging in risk-taking and innovation. David Emerson, chief executive of the Association of Charitable Foundations (ACF), makes the important point that many funders see part of their role as responding to uncertainty where it is by no means clear what the effective response will be. He sees the issues for foundations that choose to work with such problems as fostering and encouraging innovative, creative and sometimes experimental responses, rather than setting predefined objectives and monitoring progress against them.

A further barrier to effective philanthropy is a lack of knowledge about what others are doing, leading to duplication, overlap and funding gaps. This has been a criticism of charities since time immemorial. The problem was particularly prevalent in the late 19th century, but it is no less pertinent today. ACF has argued that there is a need for much greater support and funding for a 'funding market mapping process', and we would support such an initiative. The introduction of more donor advised funds for communities of interest could assist in the mapping process within their own area, as they would often be best placed to undertake the work.

Encouraging good practice

In her response, Julia Unwin of the Joseph Rowntree Foundation raised the question of whether regulatory intervention to consider impact had had the desired result, or whether it had created an industry that was making little difference. Her view was that it was a step in the right direction, but there was no consensus on the right regulatory intervention. There is a need for wider debate on the question of the right regulatory intervention to encourage and increase the impact of grantmaking.

Grantmaking practice can be poor. Foundations often decide on the size and length of grants on the basis of their own needs or finances rather than the needs they aim to tackle, creating inefficiencies both for themselves and for the charities they are supporting. Application guidelines can be vague, decision processes can be opaque and lengthy, and applicants are rarely told what their proportionate chances of success are. This makes it difficult for charities to decide whether to invest resources in applying to particular foundations, and to know whether or when to expect funding when they do apply.

New Philanthropy Capital also commented that the trustee boards of foundations sometimes lack expertise in the charitable sector or in grantmaking. In a way this is surprising, as most charities recognize the importance of having expertise in the sector in which they work on their trustee board. This lack of expertise contributes to the poor grantmaking practice that NPC observes. It is compounded by the fact that the trustee boards of those foundations with professional staff often retain unusual amounts of operational control over grantmaking decisions, deciding the recipients of individual grants and even the detailed terms of the grants themselves. This may be due to a misunderstanding of how trustees of foundations should oversee and manage risks in their grantmaking. Overall, it is likely that grantmaking practice would be improved by having greater charitable sector or grantmaking expertise on the trustee board of foundations and by delegating greater authority over grantmaking practice to skilled staff. This will not be possible in the case of small foundations without any paid staff, which make up the majority of grant-giving foundations, but should be the aim of larger foundations. It may be that this can be best achieved through better sharing of good practice. David Emerson pointed out that several of the larger foundations have brought in CEOs with substantial experience of the charitable sector who have then gone on to reshape their boards. The Lloyds TSB Foundations for England and Wales and for Northern Ireland, the Esmée Fairbairn Foundation, the Rayne Foundation and the Frank Buttle Trust are good examples of this.

A further problem is that trustees of foundations can sometimes be too risk-averse; an increased emphasis on impact does not mean that trustees should avoid all risks. One of the strengths of independent charitable foundations is that they can take greater risks than some other funders, especially those that distribute public funds. In a time of recession and very tight funding for charities, such an approach becomes even more needed. Is it essential at such a time for the real value of the endowment to be maintained?

The problem of charity trustees often being risk-averse and wanting to operate within their comfort zone has also been highlighted recently by Beth Breeze in her report on charity asset management. She also looked at the cultural and structural barriers that affect investment practices and subsequent performance, and the need to recruit charity trustees with investment experience.[12]

[12] Beth Breeze, *Investment Matters*, Institute of Philanthropy report on charity asset management, 2008.

Operational process design

Several of the points made above are about the processes operated by foundations and, indeed, other funders. A greater understanding and promotion of sound operational design could have significant impact on effective funding.

The concept of process design is well understood. It develops from an initial idea, through appraising options and testing, to the launch of the idea, product or service. It then governs how the process operates in action, evaluating performance and making improvements to reach a final design, after which the cycle restarts. This concept-design-test-evaluate-redesign model underpins every process from the manufacture of cars to grantmaking programmes.

The key point is that is it possible to trace back all productive processes to a generic design – the supply network design, which can then act as a 'blueprint' for all future process design in that field. This is a critical concept for social funders. The processes they use can be described, and this 'process mapping' can form the basis for all the operational planning of a grant programme or an entire grantmaking organization.

As an example, the grant programme design process that was introduced at the New Opportunities Fund enabled nearly a hundred separate grant programmes, in fields as different as individual grants for Second World War veterans to multi-million pound wind-farms, to be set up, with all the required assessment, resource, risk management and other elements, within a few days from agreeing the concept and answering key questions about the outcomes sought.

The desired impact of a grantmaking programme derives from the mission and goals of the grantmaking organization. This enables the grantmaker to define the outcomes they want to achieve and, in turn, the outputs they might expect to see if they are making progress towards them. The detailed grantmaking process or 'model' they then select should be the one most appropriate to achieving the intended results. This, in turn, will determine the inputs required. This is the most difficult part that few grantmakers do well – selecting the detailed grantmaking 'model' that will be most appropriate to reach the intended outcomes – because the process of doing so is insufficiently understood.

Grantmakers are always concerned to maximize the amount of resources they make available to grantees. However, if minimizing expenditure on administration simply means minimizing social impact, it is also pointless. Grantmakers sometimes boast of how little they spend on administration when they ought to be examining how effective they are. Robust grant programme design processes will help establish operational performance goals that can, if necessary, be balanced against each other. For example, in this programme will it be more important to deliver results quickly or to keep costs to a minimum or to be flexible in responding to external change? Such operational performance goals also suggest the things that grantmakers themselves should measure when trying to answer the questions 'are we being effective in our grantmaking?' and 'are we getting better or worse?'

Something else the grant programme design process can emphasize is the extent to which decisions taken very early in planning will have an effect later on. In many processes the end product will depend very much on decisions taken at an early stage. Paradoxically, then, while early decisions are cheaper, they have a greater impact.

A criticism of this approach has been that an emphasis on process means that grantmaking, which is essentially about people, becomes straitjacketed and inflexible. However, if it does, you have got the design of the process wrong. A well-designed process will do just the opposite. It will free up thinking time for the crucial human decisions by making the more straightforward tasks quicker and more reliable. The best businesses are extremely good at achieving this sort of balance. Their 'agility of thinking' is what marks them out from their competitors. They are able to take quick, informed decisions that sometimes significantly alter what they are doing or how they do it precisely because they are underpinned by clear, well-documented and robust processes that positively enable this kind of agility. A well-designed process is the liberator of the mind, not its inhibitor.

Is there a link between better operational process design in funding and regulation? There certainly can be if it is linked to our previous point regarding 'added value'. If foundations are required to demonstrate publicly that they are adding value in the areas they fund rather than simply claiming for themselves the impacts their grantees are achieving, then one way of doing so is to emphasize the effectiveness and efficiency of their funding processes. There are a small number of foundations that currently do just that, in an attempt to understand the causative links between *how* you fund and the outcomes that are achieved. Many of the characteristics outlined in Diana Leat and Helmut Anheier's book *Creative Philanthropy* and in the work of Julia Unwin demonstrate practical ways that some foundations are interpreting this analysis.[13] Some further encouragement through the promotion of good practice could achieve a great deal. After all, these ideas do work and they promote exactly what foundations should be trying to achieve. The only drawback is that they strongly suggest that trustees should be spending far less time actually making funding decisions, and this really is a problem. It will mean that trustees have to give up some of their power to distribute largesse, and this might make the work less fun. Will trustees be prepared to take this step?

[13] Diana Leat and Helmut Anheier, *Creative Philanthropy,* Routledge, 2006; Julia Unwin, *Fruitful Funding,* NCVO, 2006.

Social investment

How far should a foundation be permitted or encouraged to use its investments to further its purposes? Is this a way forward to increase the effectiveness of philanthropy?There has been much discussion over the last few years as to the extent to which foundations can, or should, further their charitable purposes not only through their grantmaking but also through their investments.This can take a number of forms and there is a range of often confusing associated vocabulary. A distinction has been made between those types of investment where the financial return is the main objective and those that are chiefly concerned with carrying out the charitable purposes. Socially responsible investments come into the first category.This includes ethical investments where trustees use negative and positive screening in line with their charitable purposes but the main objective remains to maximize the financial return.There are only a few circumstances where a lower financial return may be permissible.

There are strong reasons for trustees to consider adopting an ethical investment policy. A major report has shown that socially responsible investment does not result in underperformance over a period of time.[14] It can also lead to increased public confidence. A recent poll commissioned by the Ethical Investment Research Service found that 52 per cent of the public would be unwilling to give to charities if they discovered that they were investing in a way that was against their objectives, and 91 per cent agreed that charities should be investing their money in an ethical or socially responsible way.This is a significant increase since an NOP survey for CAF in 2001, which found that just 40 per cent of people would prefer charities to invest ethically.[15]

[14] *A Legal Framework for the Integration of Environmental, Social and Governance Issues into Institutional Investment* produced by Freshfields Bruckners Deringer for UNEP Finance Initiative, 2005.

[15] August 2008 survey conducted by GFK NOP for EIRIS.

Social- or performance-related investments are terms used where the main objective of the investment is to carry out the charitable purposes rather than to achieve a financial return. Examples are where foundations use some of their capital to make loans or give quasi-capital to beneficiaries. In 2002, the Charity Commission published guidance on social investment, in which they gave detailed explanations and examples of the types of investments that would be acceptable. In this guidance they confirmed that there was certainly more scope for trustees to engage in social investment and, if handled well, this could increase the help a charity can offer in the short to medium term. Despite this reassurance, foundations have been slow to engage in social investment and it appears that there is a lack of awareness of the opportunity they have to make an added difference through their investment policies and how to exploit this.

In 2005 Margaret Bolton published the results of research which gave examples of UK foundations engaged in social investment and demonstrated that there were a number of different ways in which interested foundations could follow their example.[16] In her recently published report with the New Economics Foundation, Bolton has shown how foundations can use a part of their endowment to further their mission while still obtaining a market return.[17] A further paper was published by Venturesome in September 2008 with the aim of clarifying some of the issues in order to drive forward the development of the social investment market.[18]

In their guidance on social investment the Charity Commission made a clear distinction between investments aimed at a market return, where the usual rules on trustee investment apply, and investments made primarily in pursuit of the charitable purposes, where any financial return is secondary. There is now interest, both in the US and in this country, in mission-related investment (also sometimes referred to as mission-connected investment) where trustees aim for a blended return – that is, a lower return than they could get on the financial markets but that also delivers a charitable or social return consistent with their charitable objects. This is sometimes referred to as a double or triple bottom line that is social, environmental and financial. This means that all the organization's resources can be used to deliver its charitable purposes. Foundations using this approach usually commit only about 5 per cent of the total endowment in this way. As it is a departure from the usual rules on

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[16] Margaret Bolton, *Foundations and Social Investment*, Esmée Fairbairn Foundation, The Ashden Trust and CAF, 2005.

[17] Margaret Bolton, *Mission Possible: Emerging opportunities for mission-connected investment*, New Economics Foundation, 2008.

[18] *Financing Civil Society: A practitioner's view of the UK social investment market*, Venturesome, September 2008.

trustee investment, there will need to be guidance from the Charity Commission, as there was for social investment, to give trustees the confidence to invest in this way.

Linked to the issue of mission-related investment is the ability of foundations to invest in social enterprises. In the US a new legal vehicle for social enterprises, the low-profit limited liability company (LC3), has recently been introduced to address this issue. This is a company with different tiers of ownership. The foundation's share does not carry a share of the profit and takes away the risk to enable the company to borrow at a commercial rate. In the UK a possible similar social enterprise vehicle for investment by foundations is the Community Interest Company.

As all the recent reports on social investment have acknowledged, the challenge now is to develop the social investment market and encourage foundations and others to invest in this way in order to move beyond the rhetoric. A recent example illustrates this need: a large national charity wanted to invest £20 million of its reserves in social investments linked to its purposes. The trustees were signed up to the strategy, which can be a hurdle, but after many months of trying it has proved impossible to find any financial institution or fund that has been prepared to take on the whole amount to invest in the manner required. There have been offers to invest £2 million to £3 million, but the total amount has proved to be too significant for the present state of this market. It is strongly recommended that more work should be carried out to make significant social investment a reality.

Establishing a 'distribution quota' for endowed foundations

A distribution quota for private foundations exists in both the US and Canada. In the US this was one of a number of provisions introduced in 1969 to regulate the operations of private foundations. Other provisions include limits on business holdings, which has also been introduced recently in Canada, and a prohibition on self-dealing.

In the US the payout requirement for foundations is 5 per cent, while in Canada it was reduced from 4.5 per cent to 3.5 per cent in 2005. The reduction in Canada was to take account of the fact that a number of foundations in the country primarily invest in bonds and the interest rate for these had fallen dramatically. In both countries the quota was introduced to prevent foundations hoarding assets that had benefited from charitable tax credits at the expense of the Treasury. It is interesting that during an earlier period of low interest rates in Canada the Revenue agreed that they would not take action against a foundation where the failure to meet the disbursement quota was directly attributable to low interest rates. In such a case they could complete a request for alleviation on the grounds that the failure to comply with the quota was on grounds beyond their control.

Before considering whether a distribution quota would have any positive impact if imposed on UK foundations, it is first necessary to find out what proportion of their assets they distribute at present. The table in Appendix 2 analyses the investment assets of the largest endowed UK foundations for which data was available (sourced from Charity Commission returns) and charts this against their direct charitable expenditure on grants over the past five years.[19]

The figures need to be read with some caution. For example, a lower payout rate might be indicative of a short-term strategy to conserve resources

[19] In some cases it is fewer than five years as the organizations are newer or have changed significantly during that time.

for larger grants at a later date. Also, actual expenditure is not the same as grant commitments made during a particular year.

Despite the caveats noted above, it is interesting that, though the average payout of the 21 foundations was 5.4 per cent over five years, the median payout was 3.5 per cent, well below the 5 per cent minimum set in the US (though above the Canadian one). Also it was, in general, the foundations with the largest endowments that were the lower payers in percentage terms.

It is also interesting to compare the foundations' increase in asset value over the period to their payout in grants. There are seven foundations whose payout actually exceeds their increase in assets; however, the majority demonstrate an increase in asset value well above what is needed to maintain the real value of their assets.

Were the 5 per cent payout 'rule' adopted in the UK (assuming the 21 funders to be typical), this could increase the charitable funding of endowed foundations by 31.5 per cent, or around £1 billion per annum.

Several of our respondents commented in this area. NPC commented that:

> 'It is hard to see how grantmaking foundations that accumulate assets over time and give only modest amounts are effectively applying their resources to further their charitable objects. However, as a regulatory response to this problem, a distribution quota could have negative consequences. It may force foundations that believe they will miss their quota to make grants without due consideration or diligence, reducing their effectiveness. It may serve to concentrate trustees' attention on the volume of their grantmaking, rather than the quality. The distribution requirement in the US has been criticized for several reasons, including that many foundations treat it as a maximum rather than minimum rate for their giving. It may be better to address the issue by emphasizing the need for foundations to consider how effectively they are using their funds for charitable purposes.'

Gaynor Humphries of London Funders also discouraged the introduction of a payout requirement as at times it has eroded capital, while at times of higher income the minimum has been used as an excuse for not giving more when it could be done. She preferred the adoption of trustees' policies, coupled with some pressure from the Charity Commission if there was accumulation by foundations.

In their response, the US Council on Foundations raised various criticisms that are sometimes levied against the operation of the payout requirement. Some argue that it is too high, as it requires an average return on capital equal to 8 or 9 per cent (as the investment return must also cover investment management costs and inflation). Others argue that it is too low, as society derives greater benefit from current expenditure than from that postponed to the future; they say that foundations should not be allowed to exist in perpetuity. Some think it is too complex and requires extensive regulations regarding valuation, whether the use is charitable or investment, and the expenditures that may be counted. They also argue that it unfairly singles out private foundations; although it is interesting to note here that the Senate Finance Committee has been exploring whether there should also be a minimum distribution rule for large university endowments. The Council’s view was that the 5 per cent requirement does try to strike a balance between current distributions and preservation of capital. An improvement to the system they recommended was to introduce a rolling average of the foundation’s assets rather than the yearly average. Other suggestions were for more flexible policies with respect to setting aside funds for future expenses, and a more flexible approach to the investments that count towards the payout requirement.

In Canada there are also some criticisms of the process, particularly with regard to the items of expenditure treated as charitable. Under the Canadian Revenue’s guidance, costs of board meetings and audits and investment management fees are administrative expenses rather than charitable expenses. This is challenged by many foundations, particularly as grantmaking, which is the primary charitable object, is usually undertaken at board meetings.

But although there is some criticism of the operation of the disbursement quota requirements and some of the technical provisions, it is interesting that our respondents from the US and Canada did not advocate the total abolition of the principle.

Our own conclusion in this area is that the case for a distribution quota is as yet ‘unproven’ in its effectiveness in potentially raising the charitable disbursements of foundations. The authors recommend that the possibility of a distribution quota should be further investigated by government. To address concerns expressed by a number of respondents, we recommend that if the concept is to be introduced, it should not be mandatory as part of future legislation, but on a ‘comply or explain’ basis as a matter of good practice. The percentage payout should also be calculated on a rolling five-year basis. This would address some of the concerns expressed about the requirement. In time, comparative tables on foundations percentage payouts could be published annually, together with commentaries from the foundations explaining the rationale behind the payout proportion.

Paradoxically, at a time of recession and low interest rates, maintaining the payout from foundations becomes more, not less, important as the needs of their recipients become greater and other resources are restricted. If the trustees of endowed foundations operate on a short-term horizon (say, less than five years), the risk-averse temptation will be to reduce the payout significantly, in order to maintain the value of the endowment. Our view would be that they should plan much further ahead, and that they should critically evaluate the needs of the sectors they fund against the long-term requirements for maintaining their endowments. This may be difficult for some foundations, and those with permanent endowment may need to consider whether they should seek authorization from the Charity Commission to invest on a total return basis (that is, the return on an investment including both income from dividends and interest and appreciation or depreciation over a given time period). In a recession, we therefore believe that a minimum payout requirement should be even more carefully considered.

New tax incentives for donors

It is generally accepted, both here and in the US, that people do not choose to make charitable donations solely because of tax breaks, but that tax breaks will increase the amounts given and may determine how the gift is made up, whether cash or property. Several of the respondents suggested that one method to increase giving would be to reconsider the introduction of charitable remainder and lead trusts. This was also recommended by the Policy Exchange Report *Give and Let Give*. The Lifetime Legacies Coalition, comprising a number of charities working in this field, has now been set up to campaign for the introduction of remainder trusts in this country.

In the case of a charitable remainder trust, the income is distributed to the trust's beneficiary until the death of the donor, at which time the funds go to the nominated charity. The charitable lead trust involves the reverse situation, where distributions are made to a nominated charity for a period of years; on the termination of the trust, the funds are distributed to designated beneficiaries. These systems of split interest trusts have been considered by the government and rejected on more than one occasion. It would seem that the reasons for rejection have been the potential risk of abuse and complexity. There is also potentially an issue of public perception, particularly in the case of charitable lead trusts where the assets revert to the donor's family. There are, however, clearly merits in these tax breaks, which have been tried and tested in the US, and the authors would support the Lifetime Legacies Coalition lobbying for the introduction of charitable remainder trusts here.

In the future it is hoped that the wider question of new tax breaks could be revisited as there is clearly scope for some fresh thinking, for example by giving enhanced incentives which increase year on year.

Cross-border giving

In his response, Steve Gunderson, CEO of the Council on Foundations, expressed the need to reduce barriers to cross-border giving, stating that:

> 'In a global economy we must also have a global philanthropy. Countries examining their laws should have as one goal an effort to make their regulatory regimes compatible with those that exist in other countries, and should streamline registration requirements for foreign philanthropic institutions. Countries should not establish barriers that prevent foundations from freely and effectively deploying their resources in other countries.'

A factor that has led to difficulties in cross-border giving is the different definition of a charity or public benefit organization in different countries, leading to problems of equivalency. Recent charity law reform in a number of countries has done nothing to improve the situation; if anything, it has made it worse. There have, however, been a number of initiatives and mechanisms to facilitate cross-border giving, particularly between different European countries and the US. Examples in the US and Europe include the use of fiscal sponsors, such as CAF America or the King Baudouin Foundation, and the use of 'friends of a charity' groups. In Europe, the European Association for Philanthropy and Giving (formerly the European Association for Planned Giving) has done much to promote cross-border philanthropy. There are also websites such as Giving in Europe that provide information on the legal and tax regimes in different countries, and the network Transnational Giving Europe, which enables a donor to give tax-efficiently to a public benefit organization in another country through a network of foundations in different European countries.

In time, more far-reaching solutions could be achieved as a result of the introduction of the European Foundation Statute and the new approach of the

EU towards discrimination in favour of domestic charities for tax purposes. The response from the European Foundation Centre sets out different ways in which the European foundation could have a positive impact on philanthropic giving in the UK. These include the development of a common definition of 'public benefit purpose foundation' and the potential ability of the European foundation to facilitate individual and corporate cross-border donations by overcoming existing legal, administrative and tax barriers. This would be achieved through the recognition of the legal structure of the European foundation in all the EU member states. The Feasibility Study on the European Foundation Statute has now been submitted and it should be welcomed.[20]

The question of the taxation of foreign charities is currently being addressed through a different forum, the European Court of Justice. Following the Stauffer and Walloon cases, the European Commission started infringement proceedings against the UK regarding tax treatment of foreign charities on the grounds that, as the UK only allows tax relief for charities established in this country, it is discriminating against public benefit organizations established in other member states. Similar directions have also been addressed to other countries, including Germany and Ireland, but with no response. In October 2008 the issue of constraints on cross-border giving was again raised in an opinion of the European Advocate General, in the case of Hein Pershe. The Advocate General was of the opinion that cross-border donations fall within the ambit of the EC Treaty, and that national tax laws that only provide for tax incentives for giving to resident public benefit organizations may be in conflict with the Treaty. It would be up to the national government and the courts to assess whether there was equivalency between public benefit organizations in different countries in terms of purposes and requirements. This decision was followed by the Court in a ruling at the end of January 2009, and is an important precedent for cross-border giving.

Another initiative has been started by the European Commission on the coordination of direct taxation in the field of charities; this also seeks to address the issue of cross-border donations.

Currently there are only a few countries that allow tax incentives for cross-border charitable donations – including Slovenia, Finland and Denmark, and more recently Luxembourg, in response to the Pershe case – but as a result of the aforementioned cases and directions, more countries may well follow suit in the near future. Freeing up cross-border giving in Europe in this way will increase opportunities for philanthropy but will present fundraising challenges

[20] See www.efc.be/agenda/event.asp?EventID=5839

as well as opportunities for UK charities, as they face competition in this country as well as new markets in other countries.

The issue of cross-border giving is a complex area. There is a small group of professional advisers and charities that can navigate the complexities, but the authors would recommend that there still need to be more initiatives to raise awareness of the issues and the solutions.

Conclusions

From the preceding analysis, the authors conclude that foundations are unique organizations and this brings distinct potential advantages for effective giving. However, our view is that these advantages are currently under-utilized. We therefore make the following main recommendations:

- A wider variety of umbrella charities with donor advised funds should be set up with government seed funding. Some of these could be linked to charity subsectors such as the arts or international development.
- Further work should be carried out on the introduction of a minimum percentage payout for foundations as a matter of good practice.
- More work needs to be carried out to make significant social investment a reality.
- In the current economic climate, with the incomes of vital charitable and voluntary organizations under extreme pressure, it is even more important that every avenue for additional resources be explored.

Together with other measures – for example the re-examination of how to utilize the unclaimed assets in dormant bank and building society accounts – we hope that the ideas in this paper will contribute to the debate about how such resources can be achieved.

Appendix 1: About the authors and correspondents

Lindsay Driscoll

Lindsay Driscoll studied jurisprudence at Oxford University before qualifying as a solicitor at a City of London firm. She was assistant registrar general and lecturer at the Postgraduate School of Law (Kenya) before spending eight years at the National Council for Voluntary Organisations, latterly as head of the legal and governance department. She joined the Charity Commission as a legal commissioner in 2003, retiring in 2008 when she joined Bates, Wells and Braithwaite as a consultant.

Lindsay is a guest lecturer in charity law at Cass Business School, has been a member of the executive committee of the Charity Law Association for many years, and has written and spoken extensively on charity law issues. She has served on the boards of several charities and not-for-profit organizations and is currently on the board of Dance United, the International Center for Not-for-Profit Law, a community foundation and a small theatre company.

Peter Grant

Peter Grant is acknowledged as one of the UK's leading practitioners in public and charitable funding. After working in the arts he was director of an inner-city youth charity for eight years. On the commencement of the National Lottery he moved to Sport England, where he devised the first Lottery programme to favour areas of deprivation and was one of the architects of Awards for All. As director of operations at the New Opportunities Fund from 1999 to 2005, he developed and delivered over £4.5 billion of funding programmes. These included the People's Network, to provide broadband connectivity to all UK public libraries; a £750 million project to upgrade sports facilities in UK schools; and Hero's Return for Second World War veterans. He then developed the world's first full masters-level programme in grantmaking and philanthropy at Cass Business

School, where he is academic leader of the philanthropy and grantmaking management and governance programmes.

Peter has published papers on these topics and presented to conferences in the UK, Europe and the USA on grantmaking and curriculum development. His Cass masters programme received the university prize for curriculum development in 2006. He is director of Ulley Consultants, whose clients include government departments, non-departmental public bodies (NDPBs), major local authorities and charitable foundations. Recent work has included developing proposals for the involvement of charities and public bodies in the London 2012 Olympics; improving the processes for operation of parole processes in England and Wales; and developing proposals for the funding for alleviating problem gambling in the UK.

The authors would like to thank the following who contributed their comments to this study, and apologize that not all of their invaluable ideas have been included in the final version:

Helmut Anheier and Volker Then	*University of Heidelberg*
Whitney Ball	*Donors Trust (Virginia)*
Maggie Baxter	*City Parochial Trust*
Padraig Brick	*New Philanthropy Capital*
Marissa Camacho-Reyes	*WINGS International*
Mark Campanale	*London Bridge Capital*
David Carrington	*Independent analyst*
Caroline Cooke	*Charity Commission*
David Emerson	*Association of Charitable Foundations*
Steve Gunderson	*Council on Foundations*
Stephen Hammersley	*Community Foundation Network*
Gaynor Humphries	*London Funders*
Sal LaSpada	*Institute of Philanthropy*
Jack Myers	*Yale University*
Hilary Pearson	*Philanthropic Foundations Canada*
Judy Portrait	*Sainsbury Family Charitable Trusts*
Miia Rossi	*European Foundation Centre*
Clare Thomas	*City Bridge Trust*
Anthony Tomei	*Nuffield Foundation*
Julia Unwin	*Joseph Rowntree Foundation*
Bob Wyatt	*Muttart Foundation*

Appendix 2: Endowed foundations' assets versus payout[1]

Name of trust	*Assets (most distant Y1) £m*	*Payout (most distant Y1) £m*	*% payout*	*Assets (Y2)*	*Payout (Y2)*	*% payout*	*Assets (Y3)*	*Payout (Y3)*
Wellcome Trust	10,053	395.0	3.9	10,541	258.0	2.4	12,341	344.0
Garfield Weston Foundation	2,221	36.4	1.6	2,613	42.1	1.6	3,168	36.5
Esmée Fairbairn Foundation	642	26.5	4.1	711	28.9	4.1	791	31.4
Henry Smith Charity	549	19.2	3.5	597	22.0	3.7	680	23.0
Wolfson Foundation	509	31.3	6.1	476	36.5	7.7	480	38.5
Paul Hamlyn Foundation				338	7.1	2.1	407	8.0
Gatsby Foundation	309	30.9	10.0	369	49.6	13.4	360	38.2
Tudor Trust	270	22.1	8.2	281	19.8	7.0	310	17.5
Nuffield Foundation	191	10.0	5.2	208	7.9	3.8	236	8.0
Rank Foundation	182	4.7	2.6	198	3.7	1.9	224	5.9
Linbury Trust				127	6.5	5.1	137	4.4
City Parochial Foundation	135	8.9	6.6	146	9.3	6.4	174	9.4
Joseph Rowntree Charitable Trust	113	3.9	3.5	132	4.9	3.7	146	4.6
LankellyChase Foundation								
Bernard Sunley Charitable Foundation								
Rayne Foundation	33	1.3	3.9	39	1.9	4.9	45	2.0
Clore Duffield Foundation							62	5.0
Tubney Charitable Trust	31	3.3	10.6	35	2.5	7.1	38	4.9
Wates Foundation	30	1.5	5.0	31	1.9	6.1	37	2.2
Jerwood Charitable Foundation	5	1.2	24.0	15	1.3	8.7	27	1.2
Allen Lane Foundation	15	0.6	4.0	16	0.7	4.4	20	0.6

[1] The total assets and payout are taken from the last five years' annual accounts as held by the Charity Commission. Total assets exclude social investments; and payout is grant expenditure and thus excludes direct and governance costs. See pp 31–32 for further comments on the contents of this table.

% payout	*Assets (Y4)*	*Payout (Y4)*	*% payout*	*Assets (most recent Y5)*	*Payout (most recent Y5)*	*% payout*	*Average payout %*	*Inc in asset value*	*Total grants*	*Excess of value inc over grant exp*
2.8	13,941	325.0	2.3	15,666	359.0	2.3	2.76	5,613	1,681	3,932
1.2	3,488	38.0	1.1	3,669	39.7	1.1	1.31	1,448	193	1,255
4.0	878	27.4	3.1	927	23.3	2.5	3.56	285	138	148
3.4	739	26.4	3.6	771	26.6	3.5	3.52	222	117	105
8.0	487	36.0	7.4	511	33.8	6.6	7.17	2	176	–174
2.0	480	12.8	2.7	531	20.5	3.9	2.65	193	56	138
10.6	387	53.8	13.9	496	117.0	23.6	14.31	187	290	–103
5.6	321	17.8	5.5	290	20.4	7.0	6.69	20	98	–78
3.4	256	9.6	3.8	262	11.0	4.2	4.07	71	47	25
2.6	242	6.5	2.7	242	8.1	3.3	2.62	60	29	31
3.2	153	6.0	3.9	218	3.9	1.8	3.51	91	21	70
5.4	214	10.3	4.8	225	10.5	4.7	5.57	90	48	42
3.2	175	4.9	2.8	201	6.4	3.2	3.26	88	25	63
	135	4.2	3.1	144	4.5	3.1	3.12	9	9	0
	77	1.8	2.3	84	2.1	2.5	2.4	7	4	3
4.4	66	1.7	2.6	58	2.3	4.0	3.96	25	9	16
8.1	57	5.1	8.9	58	5.0	8.6	8.54	–4	15	–19
12.9	35	6.0	17.1	34	7.8	22.9	14.15	3	25	–22
5.9	34	2.5	7.4	31	3.0	9.7	6.82	1	11	–10
4.4	28	1.3	4.6	29	1.6	5.5	9.45	24	7	17
3.0	21	0.8	3.8	17	1.1	6.5	4.33	2	4	–2
							5.42			

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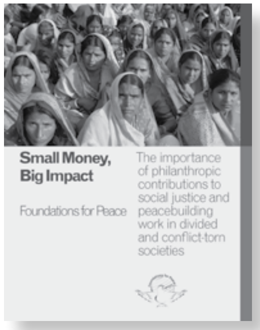

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