

SECTOR INSIGHT

# UK Grant-making Trusts and Foundations

2015

**Tom Traynor**  
**Dr Catherine Walker**



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Head office: Resource for London, 352 Holloway Rd, London N7 6PA

Northern office: Suite 103, 1 Old Hall Street, Liverpool L3 9HG

Tel: 08450 77 77 07

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# About the authors

## TOM TRAYNOR



Since joining the Directory of Social Change (DSC) in 2001, Tom has researched and authored numerous publications including *The Guide to Major Trusts*, *The Directory of Grant Making Trusts* and *The Funders' Almanac*. In addition he has led DSC's Research Team in the delivery of its core research projects, guides, directories and funding websites, which provide details of thousands of funders to voluntary sector organisations looking for funding to support their cause.

As Head of Research he is responsible for delivering DSC's research strategy, developing research partnerships with funders and other research organisations and leading DSC's Sector Insight and bespoke research projects. He has a BA (Hons) in Literature and Media and Cultural Studies and an MA in Research Methods in Sociology and Social Policy. He has been a trustee of a local arts organisation and a grants assessor for a community foundation, and also volunteered for an educational charity and a community media project. He has a keen interest in trusts and foundations, philanthropy and social policy and has written and commented on a range of voluntary sector issues over the past 14 years.

## DR CATHERINE WALKER



Catherine has worked in the UK voluntary sector for the last 16 years, including with Charities Aid Foundation (CAF) where she was Head of Research from 1999 to 2006, and DSC where she was Head of STEAM (Sector Trends Evidence Analysis & Metrics) from 2010 to 2015. In between these roles Catherine worked as a freelance consultant, including with Dwr Cymru/Welsh Water, NCR Knowledge Lab, l'Université Paris Descartes (Paris 5), CAF, Barnardo's and NESTA.

Catherine has a PhD in Economic Psychology, was an Associate Editor of the *Journal of Economic Psychology* and is a longstanding member of the International Association for Research in Economic Psychology. She is also the author of several well-known books and reports on giving, including *A Lot of Give*, *The Company Giving Almanac*, *UK Giving*, *Charity Trends*, *Growing into Giving* and *Making Time for Charity*.

In 2015, Catherine founded The Researchery: a research consultancy which specialises in research in the UK voluntary sector. She is an experienced freelance project manager with expertise in the funding environment for the UK voluntary sector and is passionate about evidence-led social change for a better society.

# Executive summary

The safety net of the welfare state in the UK is under pressure following the financial crisis and the retraction of many state services; at the same time, the voluntary and community sector has found itself in a position where it has greater influence and responsibility within society, both implicitly and explicitly.

The voluntary and community sector in the UK is extremely diverse, but a key element within the sector is the grant-making trusts and foundations that provide a significant proportion of the funding to enable the work of other charities to be undertaken. These funders use their money to support service delivery charities, community groups and other organisations that work with some of the most disadvantaged, vulnerable and socially excluded people in society.

It is worth noting that not all trusts and foundations make grants – some are service delivery charities, NHS trusts and think tanks, for example – but in this report we explore the larger body of grant-makers because of their unique role in the voluntary sector. Even within grant-making trusts and foundations there is great diversity so a description of this landscape is imperative for a range of stakeholders to gain a deeper understanding of what these charities do in practice – where and how they spend their money and for what purposes.

This report aims to provide an insight into the operational activities and impact of UK grant-making trusts and foundations. It provides a detailed analysis of their assets, income and charitable expenditure in the form of grants, where their funding is given, who their beneficiaries are and the causes they have supported. Also included in this report are the findings from a survey that provide a deeper understanding of the practices of these charities, the challenges they face and their wider operating environment. For the purposes of this report we have taken a sample of almost 2,500 grant-making charities, as featured in the current edition of our *Directory of Grant Making Trusts* (23rd edn).

## KEY FINDINGS

How many grant-making trusts and foundations are there and how much do they give?

- DSC estimates that there are around 8,000 practising grant-makers currently in the UK
- The total value of grants awarded by these funders is in the region of £3 billion each year, which represents almost 8% of the voluntary sector's income
- In this report we cover the top 2,500 grant-makers, giving a total of around £2.65 billion, which represents around 88% of all grant giving in the UK

What is the financial situation of the grant-makers? And how has this changed during the global economic crisis?

- The assets held by all of the trusts and foundations in our sample total almost £45 billion
- Actual grant spending has recovered to pre-recession levels

## CHAPTER ONE

# Financial analysis

## 1.1 KEY FINDINGS

- The assets held by all of the trusts and foundations in our sample total almost £45 billion<sup>1</sup>
- Actual grant spending has recovered to pre-recession levels
- £2.65 billion in total was given in grants<sup>2</sup>
- Funders typically have assets of less than £10 million and make individual grants averaging around £10,000

First we look at the financial position of the funders in our sample using the latest financial information available during the time our research was conducted (mostly the 2011/12 and 2012 financial years); then we take a longitudinal approach to analyse the financial trends over the course of the past seven years.

## 1.2 ASSETS, INCOME AND GRANTS

Figure 1.1 shows the total assets, income and value of all of the grants made by the funders in our sample in 2012.<sup>3</sup>

Total income for the sample amounted to 9.7% of the value of total assets,<sup>4</sup> with grant expenditure representing 60.6% of their total income. Among the largest 400 grant-giving trusts and foundations in our sample, grant expenditure represented just over 72% of their income.

Figure 1.1



<sup>1</sup> Around 29% of this figure is accounted for by assets held by the Wellcome Trust.

<sup>2</sup> Just over 19% of this figure is accounted for by grants made by the Wellcome Trust.

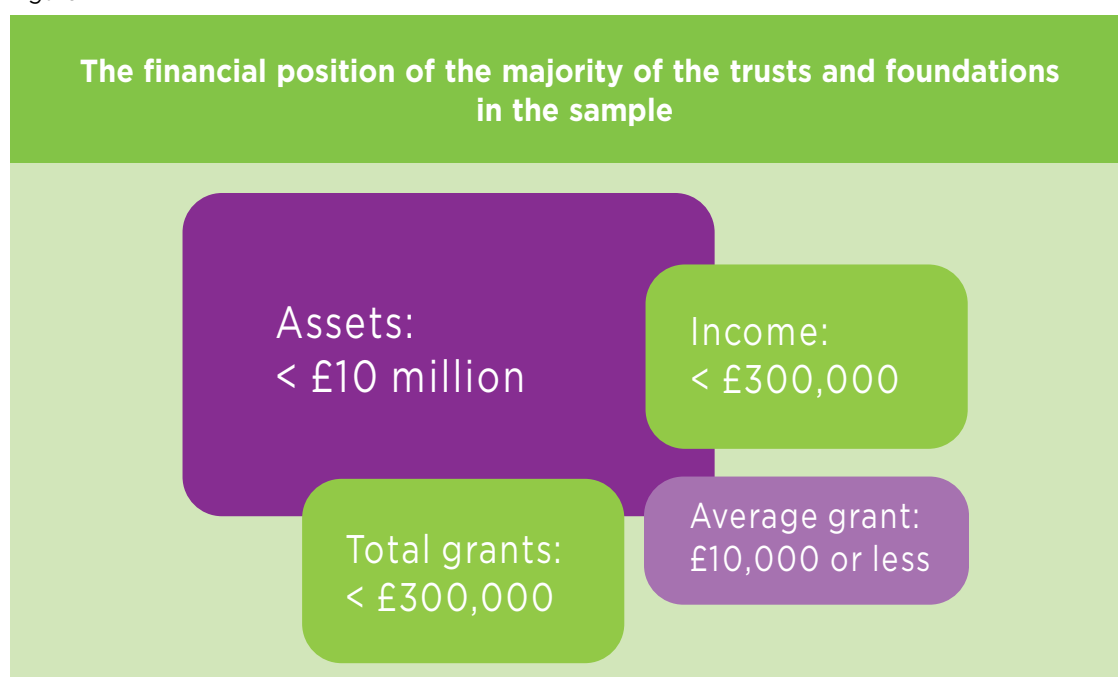
<sup>3</sup> Around 90% of the figures come from the 2011/12 or 2012 financial years.

<sup>4</sup> Broadly speaking, this level of return on assets (ROA: a profitability ratio used to measure the performance of companies or investments) is considered by analysts to be good, although there are a number of factors such as sector and whether assets are in the form of property or cash that affect what is considered acceptable performance. Also note that the majority of these assets are held by the top 100 trusts and foundations.

While some trusts and foundations in the sample have substantial assets, income and grant expenditure, most funders have more modest means. The top 20% of trusts in our sample, selected according to assets, hold around 93% of the assets by value and roughly 80% of the total income and grant expenditure. Around 80% of the sample have assets of less than £10 million, and an income and total grants of less than £300,000. Figure 1.2 shows the financial characteristics of a ‘typical’ funder in our sample.<sup>5</sup>

In addition to the assets, income and total grants of the funders in our sample, the data gathered from our survey indicates that the average size of individual awards is less than £10,000 (see Chapter 5 for further details).

Figure 1.2



### 1.2.1 Assets: trend

Trust and foundation assets can be in the form of cash in the bank on which interest is paid, property that generates rental income and stocks and shares that are traded in various financial markets. Many large foundations have permanent endowments which are used to generate an income to fulfil specific charitable objects and to have a public benefit, with trustees being custodians of these funds.<sup>6</sup> These assets allow foundations to be independent and to provide crucial funding to charities, community groups, institutions and projects that benefit a significant proportion of the population, often those who are the most disadvantaged and marginalised in society. However, these assets and investments are vulnerable to prevailing economic conditions, and, owing to the financial crisis of 2007/08, the value of assets decreased in real terms by almost 8% over the six years prior to 2011/12 compared with the value in 2005/06. Figure 1.3 shows the actual value of the total assets for

<sup>5</sup> This is illustrated using the modal average values for assets, income and total grants, and the average grant size indicated by our survey respondents (see Chapter 5).

<sup>6</sup> For a detailed discussion and analysis of endowments, see Jenkins 2012.