



FOUNDATIONS IN FOCUS

JULY 2024

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FOREWORD

Welcome to Foundations in Focus. This new insight report examines how foundations navigated the 12-month period of 2022–23. Our aim is to complement and add some narrative colour to newly published data on foundation giving from [UKGrantmaking](#).

We endeavoured to represent the diverse range of ACF's members in this work and I want to thank the 37 foundations that kindly participated and who are listed in the appendix. They vary in funding focus, geographic location and grant spend, reflecting our 450 members whose annual grant expenditures range from under £40,000 to nearly £1bn. In addition, we've brought insights from our membership channels and sector-wide engagement into this work. We hope that the variety of perspectives add depth and colour, reflecting not only the breadth of our membership but the sector more widely.

Let's cast our minds back to 2022–23. The voluntary sector was emerging from the pandemic, and in the midst of the cost-of-living crisis; grappling with rising demand, falling income, and rising operational costs. The need for support was greater than ever – and still remains so. Foundations responded with continued high levels of giving, but faced their own challenges with meeting the scale of increased need and demand from the communities and causes they support.

Many of the foundations we spoke to maintained or increased grant spend during this period, and recognised that the level of demand is beyond what their resources alone can address. There are no simple answers. But in this time of great need, it is vital that foundations focus on how they can make the best use of their limited resources, and continue to innovate and collaborate to rise and meet the challenges of our times.

Thank you and I hope you find the report useful.



CAROL MACK OBE, CHIEF EXECUTIVE

INTRODUCTION AND CONTEXT

This report provides a comprehensive narrative that complements and contextualises the quantitative data available on the [UKGrantmaking](#) data platform.

We centred our conversations with members around three themes:

- 1) growth in demand across the sector
- 2) strategic responses to rising need
- 3) financial impacts: investments and income.

We also drew on relevant literature relating to the operating environment for the sector during that period and leveraged ACF's unique insights, gained through our membership of 450 individual trusts and foundations and extensive networks

within the foundation community. For a more detailed methodology, please see Appendix A.

This paper is seeking to share a collective experience of foundations and summarise how they navigated the 12-month period of April 2022 to April 2023. Hearing from a range of foundations varying in size, focus and geographic location helps to provide insights into the experiences of foundations in 2022–23 and add depth and nuance to the quantitative data found in UKGrantmaking.

Foundations in Focus has been supported by Pears Foundation, following our multi-year collaboration on the annual research series [Foundation Giving Trends](#). We are most grateful to Pears for their ongoing partnership on research into this important area over many years.

2022–23 IN REVIEW: POLITICAL, SOCIAL, AND ECONOMIC SHIFTS

2022–23 was a period marked by significant political, social, and economic changes. To contextualise our discussions with foundations, it is crucial to reflect on the events of that time.

The financial year began shortly after Russia's invasion of Ukraine, which had profound repercussions on international relations as well as food and energy prices. This period was also marked by political instability, with the UK experiencing a rapid turnover in leadership, seeing three Prime Ministers in just two months.

Additionally, the nation was still dealing with the aftermath of the Covid-19 pandemic. During the pandemic, the foundation sector had demonstrated remarkable coordination of its emergency response, directing funds to those most in need. Grant-making spend of the Top 300 foundations reached a record £3bn in 2020–21, as highlighted in our [2022 Foundation Giving Trends report](#), which underlined the crucial role foundations played in the pandemic, providing

essential support to communities through strong real-terms annual growth in grant-making.¹

The cost-of-living crisis in the UK led to increased demand for voluntary sector services while reducing donations and funding, straining resources and staff. Charities faced higher operational costs, making it harder to support vulnerable communities. Some charities had to scale back operations and many closed their doors completely during this time period.

The 12 months of 2022–23 saw the term 'polycrisis' become a commonly used description for the interconnected and overlapping crises affecting climate, global health, economies and social systems. This concept underscores a growing recognition of the complexity and interrelated nature of global challenges that are occurring concurrently.

ACF's mission is to strengthen foundations to rise to the challenges of our time; this report explores how foundations responded to those challenges through the lens of a varied sample of ACF members.

¹ Association of Charitable Foundations (2022). Foundation Giving Trends 2022.

Retrieved from: <https://www.acf.org.uk/policy-practice/research-publications/foundation-giving-trends>.

BIG CONVERSATIONS IN THE FOUNDATION SECTOR IN 2022-23

The cost-of-living crisis and moving to a post-pandemic world dominated conversations in the foundation sector in 2022-23, with some actively reflecting on their existence and future strategies. In many cases, decisions were made public after the end of this period, reflecting deep, thoughtful discussions within foundation boards.

Notably, Lankelly Chase [announced](#) in July 2023 its decision to “redistribute all its assets and close within a five-year timeframe”, after years of evidence gathering, rich consultation and detailed consideration, and thanked the Baobab Foundation for their support enabling “resources to move in ways that support freedom, justice and unity”.

The Baobab Foundation launched the Baobab Collective Fund in September 2022, with the aim to “grow, sustain and strengthen Black and Global Majority communities in the UK that are working to resist racial injustice”.

Also in July 2023, the Albert Hunt Trust announced its decision to spend all of its resources by 2029 to better meet the immediate needs in society. In contrast, several foundations have gone through deliberative processes about their operating timeline and made active decisions to continue in perpetuity. Some have made plans to slow their current spending rates or build up their endowments to ensure their long-term ability to respond to need. This variety in responses highlights how foundations interpret and respond to the current sense of polycrisis or challenges of our time in different ways, reflecting the plurality of the foundation sector.

Additionally, the period of 2022-23 saw a continued and growing recognition of the need for funders to do more on diversity, equity, and inclusion. For some this action focused on working towards greater representation on boards and staff teams. We also saw grant-making strategies pivot to grant-making programmes focusing on marginalised communities.

The Tudor Trust paused new grant-making while continuing to support existing grantees, as they underwent a transformative process of “re-evaluating and developing a new strategy centred around racial, social and economic justice”. Several foundations examined the origins of their organisational wealth and historical ties to enslavement, which prompted ACF to publish [new guidance](#) on this issue. Joseph Rowntree Foundation advanced its efforts as part of its Emerging Futures work to “reimagine wealth, funding, and investment to speed up the transition to a fairer sustainable future”.

These developments all underscore a period of significant reflection and adaptation as foundations navigate complex and evolving societal challenges.



OVERVIEW AND HIGHLIGHTS

According to data on [UKGrantmaking](#)², the total grant-making spend by grant-makers³ in 2022–23 was £6.41bn. As this is the first year of UKGrantmaking, we cannot make like-for-like comparisons with total grant-making spend in 2021–22.

In future years, we will be able to see how total grant spend varies year on year via the UKGrantmaking platform. While we have data on grant spending in 2020–21 and previous years in the Foundation Giving Trends research series, we cannot directly compare these figures with the data in UKGrantmaking due to the different methodologies used.

This report aims to illuminate the stories behind the figures. The mixed picture for foundations suggests that while many increased their grant spending in 2022–23, they faced economic headwinds and varying levels of operational adjustments.

Against the challenging environment, foundations attempted to meet the growing demand, seeking to be more flexible in their grant-making approach. Some began or continued offering more flexible grants and increased grant values to account for the higher costs grant-holders faced due to inflation and the cost-of-living crisis. More foundations began offering funding specifically for organisational and administrative expenses to ensure that grant-holders could maintain their essential functions despite the challenging financial landscape. In some cases, foundations also reviewed and adapted their tools and processes to streamline the application process to make it easier for grant-holders and to allow staff to focus more on the activity of grant-making.

Whilst foundations are incredibly valuable contributors to societal needs, it is important to recognise that they cannot tackle every gap on their own. As others have said, foundations play a supporting role: the icing on the cake, not the cake itself. However, in a period of sustained cuts in government funding and significant increases in the cost of living, foundations find themselves in a more central role. What we are seeing clearly in 2022–23 is that this far exceeds their capacity to address all societal challenges at scale.

Several foundations took the opportunity to reflect and review their strategies in the wake of the pandemic. After two years of responding to immediate and urgent challenges, 2022–23 saw a shift towards a more strategic focus. This introspection led to more targeted funding efforts, resulting in increased success rates for applications to those foundations. The overwhelming demand highlighted the importance of addressing systemic change, and many foundations emphasised the role of collaboration in achieving this.

Some foundations adopted diverse financial strategies to address the increased demand for support. Many foundations took a long-term view of their investments and sought to diversify their income sources to enhance sustainability and maintain their ability to make a positive impact.



2 These figures are not comparable to data from Foundation Giving Trends series which was calculated using a different methodology. It should be noted that grant spend for each foundation may relate to a different time period dependent on the calendar year that the foundation adheres to, therefore caution should be exercised when making inferences from the data.

3 In the UKGrantmaking platform, grant-makers are categorised into the following groups: community foundations, corporate foundations, family foundations, fundraising grant-makers, general grant-makers, government/lottery endowed, member/trade funded and Wellcome Trust.

FINDINGS

1. GROWTH IN DEMAND ACROSS THE SECTOR

In 2022–23, the need for support to charitable causes was greater than ever. Increased demand on charities, cost pressures due to inflation, falling donations, and depleted reserves following the pandemic created significant challenges for the charity sector.⁴ This was further highlighted by Charities Aid Foundation's Charity Resilience Index, which found that less than a third (31%) of charities were highly confident in their funding in January 2023, with more than half of charities (53%) worried about their survival.⁵

In 2022, direct government grants decreased compared to the previous year, totalling £7 billion instead of the previous £8.2 billion. Additionally, these grants were distributed to 24% fewer charities than before.⁶

The short-lived economic plans of the Liz Truss government, as announced in the Chancellor's 2022 Autumn statement, arguably exacerbated the crisis. At the time, NCVO's CEO, Sarah Vibert, warned that it would "widen inequalities in communities' leading to a "devastating impact on people, communities, and the voluntary sector."⁷

This combination of factors resulted in additional pressure on the voluntary sector to fill the gaps. Our members relayed this feeling of increased – sometimes "overwhelming" – pressure, through their grant-making practice and relationships with grant-holders. However, the increased demand manifested in different ways across individual foundations.

A INCREASE IN GRANT APPLICATIONS

Many foundations told us they saw a higher volume of grant applications during the year 2022–23 compared to previous years. John Ellerman Foundation, Cripplegate Foundation and Essex Community Foundation told us that applications increased by 20%, 20% and 30% respectively. Foundations offering grants to individuals, such as the National Benevolent Charity and Greggs Foundation, told us there was a surge in individual grant applications, reflecting the struggles of beneficiaries to meet basic needs.

Some foundations including The Mary Kinross Charitable Trust reported receiving more unsolicited applications. Though they did not typically fund these, exceptions were very occasionally made in specific cases where these applications aligned with the foundation's goals.

UnLtd highlighted an ongoing challenge to their organisation. After the Covid-19 pandemic, grant applications to UnLtd remained consistently high, increasing from over 2,000 applications per year to nearly 3,000. As the distributor of funds to social entrepreneurs, additional emergency funds that were made available externally to meet the previous surge in demand were not made available for the cost-of-living crisis in 2022–23.

4 ICAEW Insights (1 Sept 2022). Cost of living crisis hits charity sector hard. Retrieved from: [Cost-of-living crisis hits charity sector hard | ICAEW](#)

5 Charities Aid Foundation (2023). CAF Charity Resilience Index. Retrieved from: [charity_resilience_index \(cafonline.org\)](#)

6 Charity Commission for England and Wales (4 April 2024). Annual return data: January to December 2022. Retrieved from: <https://www.gov.uk/government/publications/charity-commission-annual-return-data/annual-return-data-january-to-december-2022>

7 NCVO (17 November 2022). Government's economic plans will widen inequalities in communities. Retrieved from: <https://www.ncvo.org.uk/news-and-insights/news-index/autumn-statement-budget-2022/>

B HIGHER VALUE GRANTS REQUESTS

Some foundations noticed the financial challenges experienced by charities as manifested in grant applications with higher funding amounts requested. In 2022–23, Paul Hamlyn Foundation's grants requests totalled £106.5m some £2.9m more than the previous year despite fewer applicants.

This was similar for other foundations including JBA Trust Ltd which increased the value of their studentship awards to £2,250, an increase of 50% compared to 2021–22. Samworth Foundation's average annual core grant award rose from £62,606 in 2021–22 to £80,250 in 2022–23. The National Benevolent Charity observed that, unlike previous years, almost all applications received during 2022–23 were requesting the maximum grant amount.

Rising costs appeared to impact every aspect of applicants' work, ranging from their running costs (especially staff salaries) to operational and delivery costs. Pears Foundation shared how these increased costs "were affecting the landscape for capital grants with many organisations struggling with higher costs than budgeted for or postponing projects."

Foundations sought to understand how grant-holders were affected by additional costs. Cripplegate Foundation and Islington Giving convened "various groups of grantees and partners to discuss the cost-of-living crisis and approaches and to learn from and coordinate with one another", in addition to providing emergency grants for individuals and cost of living grant uplifts for funded organisations.



[The increase in higher value grants requests] would seem to reflect the financial challenges faced by many organisations and the ambition they had to respond to the increase in demand for their services."⁸

PAUL HAMLYN FOUNDATION
(GRANT SPEND OF £39.61M IN 2022-23)

C OBSERVED TRENDS IN TYPES OF APPLICATIONS RECEIVED

Several foundations including Albert Hunt Trust saw higher numbers of applications coming from community groups during 2022–23, which had adapted quickly to meet the urgent needs of their communities.⁹ Community groups typically refer to local organisations established by members of a specific community to address common issues, provide support and improve the quality of life within that community. These groups aim to empower local initiatives, tackle pressing community needs and foster sustainable development at the grassroots level.

This trend was notable for the Roughley Trust who unusually only received one arts project application for arts projects that year, which likely reflected the economic challenges and shifting priorities.

Hilden Charitable Fund highlighted the challenges facing community groups that offer day-to-day activities, noting their increasingly limited pool of funders. Some foundations speculated that in response to this funding scarcity, many community groups that had previously operated informally decided to constitute and register as charities in 2022–23 to become eligible for more funding opportunities. This shift allowed these groups to access a broader range of financial resources to support their essential services.



As a community foundation we are often the first source of funding or often only possible source of funding for a number of local initiatives and already the stability of the sector was being affected / burn-out experienced by community groups, meaning however relational we are, there are still limits on groups that applied at any one time."

LEEDS COMMUNITY FOUNDATION
(GRANT SPEND OF £4.0M IN 2022-23)

⁸ Total grant spend for specific foundations in text boxes is taken from annual accounts with the relevant time period specified.

⁹ Ellis, A., Wilson, M., McCabe, A. and Macmillan, R. (2022). One pandemic, many responses. Retrieved from: <https://localtrust.org.uk/wp-content/uploads/2022/07/One-Pandemic-Many-Responses-Report-July-2022.pdf>

2. STRATEGIC RESPONSES TO RISING NEED

Given the breadth of the foundation sector, it is perhaps unsurprising that foundations responded to the increased demand in a range of innovative ways, demonstrating their adaptability and flexibility in navigating challenging circumstances.

The responses of foundations depended on a number of factors, including their funding structure, the size of their teams, and the nature of the grants they offered. This diversity of response was evident in our engagement with members. However, woven into our conversations were some common threads.

A FLEXIBLE GRANT-MAKING APPROACHES

Many foundations adopted more flexible grant-making approaches in 2022–23 to try to mitigate some of the increased pressures that grant-holders were facing. These adjustments varied between foundations but included a shift towards multi-year grants and unrestricted grants. Some foundations reported a greater demand for unrestricted funding over capital funding, with many capital-funded projects struggling due to rising costs, leading them to adjust their fund seeking priorities.



We made the decision to start funding core costs because we recognise that those essential items – being able to keep the lights on, put the heating on – are so important. That backbone of an organisation needs to be strengthened in order for them to then deliver.”

BBC CHILDREN IN NEED

(GRANT SPEND OF £39.8M IN 2022-23)

Steve Morgan Foundation started offering unrestricted grants and Hilden Charitable Fund adopted a more flexible funding approach by encouraging and providing grants to be used for any purpose whenever possible to meet the diverse needs of their grant-holders. When it was not always feasible to offer unrestricted grants, grant-holders had the option to receive project funding, which could be allocated on a full cost recovery basis or cover the equivalent amount of core costs for the specific piece of work, ensuring comprehensive financial support.

There was a noticeable readiness among foundations to experiment with new methods to enhance their support. For example, The James Tudor Foundation experimented with awarding more grants at lower values to address the increased need. However, they discovered that this approach sometimes led to added pressure on charities, leading them to adapt their strategy to better meet the needs of their grant-holders.

At the heart of this flexibility was the overarching goal of simplifying the funding process for grant-holders. The Kurt and Magda Stern Foundation, for instance, demonstrated this by allowing for adjustments in payment dates, providing grant-holders with much-needed flexibility.

B STRATEGIC MISSION ALIGNMENT

During the 2022–23 period, many foundations engaged in strategic reflection and review, especially in light of the challenges posed by the Covid-19 pandemic. BBC Children in Need highlighted a growing trend among funders to clarify their focus and purpose.

For broad-based funders, managing the diverse range of causes they support was becoming increasingly complex. To maximise their impact, some foundations made strategic decisions to focus on specific areas while still maintaining a level of breadth in their approach. For example, BBC Children in Need identified four key impact areas within their overall mission to support disadvantaged children and young people across the UK: poverty, mental health, social inequality, and family challenges.

Steve Morgan Foundation also reflected on its focus in this period, beginning to shift towards funding projects that address systemic change and target the root causes of societal issues.

There was a growing interest in understanding more about the communities that foundations serve to better identify the areas where foundations could have the greatest impact. Essex Community Foundation invested in research to better understand and address community needs, further developing their qualitative Community Listening Project and commissioning a Third Sector Trends report of Essex utilising this data to inform their strategies.

Bedfordshire and Luton Community Foundation spoke about shifting “the power more to communities” and moving from a more transactional way of working during Covid-19 to a more strategic way of working, in alignment with their listen, learn and adapt model.

C TARGETED FUNDING FOR HIGHER IMPACT

In response to rising costs and increasing demands, several charitable foundations adjusted their funding strategies to try to maximise impact and support for their beneficiaries. Commercial Education Trust reevaluated their funding model in this period to ensure they “provide the right number of grants to support the considered costs.”



Despite being very targeted in our programme eligibility, demand and interest have outweighed the funds we have been able to allocate.”

| INDEPENDENT AGE (GRANT SPEND OF £2.0M IN 2022

The Sainsbury Family Charitable Trusts made a conscious decision to largely focus support, and in many cases provide extra support, to existing grant-holders rather than expand out to a wider pool of applicants as existing grant-holder demand was substantial.

Hilden Charitable Fund underwent a significant review of their funding strategy. Originally encompassing a wide range of areas, the trust decided to adopt a more targeted approach to ensure that their financial support was benefiting specific areas with greater impact.

Similarly, Samworth Foundation refined what and how they fund to become more targeted in their approach. Buttle UK revisited their focus on co-production, which had largely been paused during the pandemic, to reflect on their goals, refine their strategy and address critical questions about their work.

D BEYOND FINANCIAL SUPPORT

The level of financial support the foundation sector was able to provide in 2022–23 fell short of meeting the ever-increasing demand. Foundations increasingly considered how they could provide additional support to grant-holders beyond funding alone to enhance the sustainability and impact of the organisations they support. Some foundations invested in training and upskilling their grants team to become more active in the application process, ensuring that applicants received comprehensive assistance from start to finish.

The Bedfordshire and Luton Community Foundation placed greater emphasis on treating grant-holders as partners, fostering a more collaborative and supportive relationship. Essex Community Foundation moved offices in 2022, which allowed them to launch their Foundation Hub. This initiative offers free office and meeting space for charities, extending support beyond grant-making and providing valuable resources for the charitable sector.

The Pears Foundation continued its successful grantee professional development programme, supporting grant holders to build resilience and develop their leadership skills.

Similarly, Lloyds Bank Foundation for the Channel Islands, who saw their mentoring programme offered to all grant-holders gather momentum during 2022–23, considered what package of support would have the biggest impact on grant-holders.

By making space to think about how they could support grant-holders more, foundations helped strengthen the capabilities of the organisations they support.

E ADDRESSING COST OF LIVING AND HIGHER INFLATION

Some foundations made proactive efforts to address the impact of the rising cost of living and higher inflation on their grant-holders. The Joffe Trust, for instance, engaged their grant-holders and other funders to understand how the crisis was affecting them. Based on the feedback, they increased grant payments by 10% and raised the maximum size of new grants from £30,000 to £35,000.



We launched a dedicated cost-of-living fund in autumn 2022 to support charities and community organisations that help people most affected by the cost-of-living crisis. Our focus was on organisations facing greater demand on services at the same time as rising costs. Across two rounds, we supported 65 organisations with grants totalling £385,801."

COMMUNITY FOUNDATION TYNE & WEAR
(GRANT SPEND OF £7.77M IN 2022-23)

This was similar for other foundations including Lloyds Bank Foundation for the Channel Islands, the Samworth Foundation, the trusts under the Sainsbury Family Charitable Trusts and Paul Hamlyn Foundation, who also extended funding to their grant-holders to address additional costs related to the cost-of-living crisis. Foundations often encouraged applicants to describe their increased costs in applications, ensuring that foundations' support remained adequate and effective in the face of economic challenges.

Some foundations made additional grants to address specific needs caused by rising costs, such as covering operational shortfalls or supporting critical projects. The Mary Kinross Charitable Trust made an additional grant of £35,000 to an existing grant-holder to help them cope with rising costs and post-Covid competition for funds.

F ADAPTING TOOLS AND PROCESSES

Some foundations, including The James Tudor Foundation and Local Trust, took steps to upgrade their tools and processes to improve efficiency, performance and impact. There was an acknowledgement that foundations needed to adapt their tools and processes to better serve their grant-holders, with Social Investment Business commenting that they "have had to invest heavily in systems, processing, data, tech, etc. in order to deal with the large volumes [of applications] we had."

These enhancements allowed staff to focus on the more pressing and demanding tasks such as assessing applications and conducting strategic reviews. The importance of having robust tools and processes in place was emphasised by John Ellerman Foundation, which continued with its grant-making with minimal disruption whilst also managing staffing absences and changes, including through a restructure.

Foundations emphasised the importance of feedback and an open dialogue with grant-holders as well as continuous improvement of their processes. The KFC Youth Foundation spoke about the efforts they undertook to listen to grant-holder experiences and make iterative changes based on this feedback.

Pilgrim Trust, wishing to understand how applicants and grant-holders experienced the application process, 'commissioned an independent applicant and grantee perception survey during the year' which found that the trust was seen as "supportive, helpful and approachable."



We are now in a position of not having to spend too much time on low skill administrative tasks (sending letter, writing cheques, etc.) and we can spend more time on higher skilled work such as assessing applications, building a deeper understanding of the charities and sectors we are supporting, and a data-driven strategic review of our grant-making focus and principles."

JAMES TUDOR FOUNDATION (GAVE GRANTS OVER £816,000 IN 2022-23)

G STRATEGIC FINANCIAL MOVES

Many foundations made strategic financial decisions to better address the increased demand from grant seekers, though these of course differed depending on each foundation's unique situation. For instance, several foundations used their endowments to address budget constraints, providing them with flexibility to increase spending if needed.

The Sainsbury Family Charitable Trusts' family members approved drawing from the foundations' endowment to sustain and enhance their trusts' grant-making efforts "to support those most in need." Several family members also made personal contributions to support these initiatives.

Other members told us about the various approaches they took to meet the challenging level of demand from grant seekers. The Greggs Foundation drew down funds from their investments to support activities in alignment with their mission including supporting their Breakfast Clubs with additional access to Hardship Grants. Meanwhile, Lloyds Bank Foundation for the Channel Islands intentionally drew down on investments more significantly in previous years but has not replenished those investments in recent years.

The Albert Hunt Trust took the decision to spend out and close the foundation by 2029, acknowledging the acute need for support right now.

Others actively managed their budgets in 2022–23 to accommodate rising costs and increased demand, which included increasing grant budgets where possible and seeking additional financial contributions from donors.



As a community foundation we have regular communications with our existing and new donors who are often ready to provide additional financial support for spend in that year at times of crisis, which helps to boost our giving."

ESSEX COMMUNITY FOUNDATION
(GRANT SPEND OF £4.43M IN 2022-23)

3. FINANCIAL IMPACTS: INVESTMENTS AND INCOMES [£]

2022–23 was a year marked by economic turbulence and market volatility. Through engaging with our members, we wanted to understand how these broader economic conditions impacted foundations' investments and income, and the strategies that foundations employed in response to these challenges. Understanding these financial dynamics reveals both the strengths and limitations of foundations during this period, highlighting their resilience and adaptability amid significant challenges.

As to be expected, the way in which economic volatility affected foundations varied and was dependent, to a large extent, on their funding model and investment strategy.

A LONG-TERM INVESTMENT PERSPECTIVE

There was a broader trend among the foundations we spoke to around maintaining a steady, long-term investment perspective, focusing on sustainability and impact rather than reacting hastily to market fluctuations. The various approaches shared by our members provides an insight into how foundations adapted their asset management tactics in 2022–23 to ensure financial stability and mission fulfilment for the duration.

The Bell Foundation emphasised that their grant-making decisions are not driven by the current value of their asset base. Instead, they focus on identifying and supporting programmes in need of investment, holding assets for the long term, and maintaining a strategic, forward-looking perspective. UnLtd leveraged its strong cash reserves within their endowment. They strategically shifted assets to generate more income, acknowledging that while this impacted long-term capital values, it did not affect their operating capacity.

While John Ellerman Foundation shifted more of their investments into global equities "in pursuit of higher returns", they otherwise adhered to their established long-term investment approach, guided by their investment advisors, alongside their ongoing and evolving work on being a responsible investor.

B COMMITMENT TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE INVESTMENTS

Several foundations committed or deepened their commitment to environmental, social and governance (ESG) investment approaches, even when this meant lower financial returns in the immediate term, and apparently during 2022–23. The Kurt and Magda Stern Foundation revised their investment strategy to ensure their portfolio is more sustainable and better aligned with their core values.

Whilst the Pilgrim Trust made no changes to their investment approach due to fluctuations in their asset value, they continued to pursue their ESG approach in investments and subsequently made some changes in their portfolio.



We recognised that [the net return on our assets] was the result of conscious choices we had made to focus on ESG investing and avoid high performing areas such as fossil fuels and arms. As a result, we did not change our investing approach, and remained committed to aligning our investing approach with our mission and values."

| THE JOFFE TRUST (GRANT SPEND OF £1.06M IN 2022)

C SPENDING HIGH DESPITE LOWER RETURNS

Despite considerable external pressures, many foundations told us they maintained spending on grants, or in some cases increased it, because the need was so great. This was sometimes supplemented by increased interest earnings or additional emergency funding from donors.

The National Benevolent Charity, which had experienced less favourable investment returns, was only able to increase spending on grants thanks to access to a contingency fund. Hammersmith United Charities, who maintained their grants budget despite a dip in the value of their endowment acknowledged that “with high inflation and challenging financial markets it would not be possible to keep pace with the level of demand in the longer term.”

Despite lower investment returns Peter Minet Trust made the decision to prioritise grant spending because it took account of accumulated unspent income in prior years that had been reinvested in the portfolio, commitments to multi-year funding and because of “the difference [they’re] making”. They acknowledged the challenge of balancing impact with limited resources, especially when demand “completely exceeds capacity”. Buttle UK continued drawing on their endowment at the greater rate established during the pandemic into 2022–23 and beyond, recognising the persistent and significant need as an “ongoing crisis”.

Foundations’ funding models inevitably impacted their ability to spend on grants. Leeds Community Foundation, whose model requires them to raise most of the funds they give out each year, experienced a “significant drop in giving” during 2022–23. This, coupled with wanting to fund increased costs for their grant-holders where possible, posed ‘a real challenge’ and ultimately led to them making fewer overall grants.

D DIVERSIFYING INCOME

The economic volatility in 2022–23 prompted some foundations to focus more on increasing and diversifying their sources of income. As a community foundation, almost 95% of Bedfordshire and Luton Community Foundation’s earned income comes through fees based on flow-through funding, and at that time, a significant proportion of their income came from one donor. It was of great importance, therefore, that they made the decision to diversify their income to ensure sustainability in the longer term.



We’re positive about what we’re doing and the impact we’re making. A significant risk we’re addressing at Board level is our ‘ambition versus capacity.’

| PETER MINET TRUST (GRANT SPEND OF £391,000 IN 2022)

CLOSING REFLECTIONS – HOW FOUNDATIONS FARED IN 2022–23

Our conversations with foundations underscored their resilience and commitment to the causes they support. However, it also became evident that, despite significant efforts in 2022–23, foundations were unable to fully meet the increased demand for support.

Many foundations attempted to adapt by moving towards more flexible grant-making approaches, recognising the rising financial difficulties faced by grant-holders. This included reviewing tools and processes to ease the burden on grant-holders, which also allowed foundation staff to focus more on strategic aspects of grant-making.

2022–23 saw numerous foundations reassess and refine their strategies to enhance their impact, often with a greater focus on addressing systemic change. Despite these efforts, foundations were frequently grappling with limited resources amidst soaring demands.

Foundations employed diverse financial strategies to maintain high grant spending, including adopting long-term investment views and diversifying income sources. While these approaches demonstrate their commitment and adaptability, they also highlight uncertainty around the sustainability of such efforts in the face of ongoing and increasing demand.

ENGAGING OUR MEMBERS

If you would like to contribute to ACF's next Foundations in Focus year in review, please get in touch with us at policy@acf.org.uk.

APPENDIX A: METHODOLOGY

The aim of this research was to investigate the qualitative experiences of foundations in the financial year 2022–23. We first reviewed existing literature (including reports, articles and blogs) that enhanced our understanding of the UK foundations sector during this period and pooled our own insights and intelligence, from ACF's unique position as a membership organisation to over 450 members.

The second (and most important) part of our research involved gathering insights from a diverse sample of ACF members, reflecting our membership base. Members could share their experiences in a number of ways – via a survey, reflections by email or one-to-one interviews. The flexibility of this approach was intended to maximise engagement.

Data collection took place from mid-April to the beginning of June 2024 and we received a total of 37 responses from a sample of 100 members.

Respondents represented a broad range of foundations, with engagement from:

- Ten family foundations
- Four corporate foundations
- Four community foundations
- One fundraising foundation
- Twelve national independent foundations
- Two regional/local independent foundations
- One voluntary managed organisation
- Three foundations that would be categorised as 'Other'

Qualitative data was analysed thematically and presented within the three key sections in this report: 1) growth in demand across the sector, 2) strategic responses to rising need and 3) financial impacts: investments and income.

APPENDIX B: THANK YOU TO OUR MEMBERS AND PARTNER

We would like to thank all 37 members who generously contributed their reflections on 2022–23 to this report:

- Albert Hunt Trust
- BBC Children in Need
- Bedfordshire and Luton Community Foundation
- Bonnart Trust
- Buttle UK
- Commercial Education Trust
- Community Foundation Tyne & Wear and Northumberland
- Cripplegate Foundation and Islington Giving
- Essex Community Foundation
- Gibbs Trust
- Greggs Foundation
- Hammersmith United Charities
- Hilden Charitable Fund
- Independent Age
- JBA Trust Ltd
- Joffe Trust
- John Ellerman Foundation
- KFC Youth Foundation
- Kurt and Magda Stern Foundation
- Leeds Community Foundation
- Lloyds Bank for the Channel Islands
- Local Trust
- Paul Hamlyn Foundation
- Pears Foundation who funded this work
- Peter Minet Trust
- Pilgrim Trust
- Roughley Trust
- Samworth Foundation
- Social Investment Business
- Steve Morgan Foundation
- The Bell Foundation
- The James Tudor Foundation
- The Mary Kinross Charitable Trust
- The National Benevolent Charity
- The Sainsbury Family Charitable Trusts
- The Waterloo Foundation
- UnLtd, the foundation for social entrepreneurs

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