

# Foundation Practice Rating: Changes Arising from the Year Four Consultation

**22 July 2024**

*This note presents the findings from the 2024 FPR consultation process, and includes all the feedback received, our response to the feedback, and the actions we are taking.*

## The consultation process

Each year, we run a public consultation before data-gathering for FPR begins. This is to gain input from the sector about the process and criteria etc. This report covers the findings from the Year Four consultation (ahead of FPR during 2024/25), and recommendations arising.

The Year Four consultation asked demographic questions, which filtered out all respondents from outside the UK (there were three); as well as the following questions:

- Are there any issues within the domains of diversity, accountability, and transparency that you think the FPR should **add** to those that it already considers?
- Is there anything that you think we should **change** about the way the FPR currently works or about the current criteria?
- Are you aware of any foundations - perhaps including where you work - which have made any changes specifically /mainly because of FPR?
- This final section invites you to comment on any other aspects of the Foundation Practice Rating, including but not limited to:
  - the set of foundations assessed
  - the method used to assess these foundations
  - the overall process
  - any other comments

## Who responded to the consultation

The consultation ahead of FPR Year Four ran from 14<sup>th</sup> March to 31 May 2024, using SurveyMonkey. A total of 40 people responded, marking an increase from ten respondents in Year Three and fourteen in Year Two. However, only 18 respondents answered at least one question.

The table below shows the distribution of respondents based on their organizational affiliations. Most respondents are from grant-making foundations. This is significant as the FPR is designed to scrutinize and drive behavioural change within foundations.

Types of organization	Responded	Answered at least one question
A grant-making foundation	21	12
A registered, exempt or excepted charity	10	4
A private company	1	1
A charitable incorporated organisation (CIO)	1	1
A community interest company (CIC)	1	0
A public body	1	0
A not-for-profit company limited by guarantee	1	0
Other (please specify)	1	0
<b>Total</b>	<b>37</b>	<b>18</b>

## What feedback did we receive?

Overall, the feedback covered a wide range of perspectives ranging from support for the initiative to a view that it is “running out of steam”.

The feedback is broadly grouped into:

1. Criteria to add – which include:
  - a. Recommendations to broaden the FPR perspective on diversity e.g. to include neurodiversity, diversity of thought, or review whether criteria like numerical diversity targets have a positive impact.
  - b. Calls to include more social justice issues like racial equality by assessing foundations’ documentation of commitment to anti-racism, origins of funding, and membership of bodies which hold organizations accountable to race equality.
  - c. Sector changes that the FPR could incorporate e.g. the forthcoming Charities Investment Governance Principles (CIGP), increasing number of foundations that are becoming Living Wage Funders
  - d. Other criteria such as impact accountability and payout rates
2. Issues to change about the way FPR currently works e.g.
  - a. Selection of foundations - increasing the number of foundations assessed, reviewing the same foundations each year
  - b. Information that is shared – publish a list of “crappy funding practices”.
3. There was also feedback on areas that the FPR already assesses e.g. investment policies, analysis of foundations’ effectiveness, etc.

The section below examines the complete set of responses, and our response to each question. As has been the practice since Year One of the FPR, we evaluate all feedback on whether the requested change is (i) in scope and (ii) observable or measurable from the outside, using only published material.

## Responses to the feedback

Issue raised	How we propose to respond
<b><u>Criteria to add</u></b>	
<p>The focus on <b>protected characteristics</b> feels like a very impoverished interpretation of diversity, overlooking the immense groupthink that pervades many (most?) charities and foundations. I understand that <b>diversity of thought</b> is hard to measure: but that doesn't mean that presenting a rating for diversity that excludes it isn't damaging.</p>	<p><i>No change:</i></p> <p>We can only measure things which foundations disclose or might plausibly disclose, i.e., which are measurable: that is the nature of assessing 100 organisations each year.</p> <p>We use protected characteristics because they have legal definition and have been defined and listed by an entity which isn't us.</p> <p>If /when other characteristics (e.g., diversity of thought) meet those criteria above, we are open to including them.</p>
<p>The foundation's website explicitly states its commitment to <b>anti-racism</b>. The foundation publishes its plan to honour its commitment to anti-racism.</p>	<p><i>No change:</i></p> <p>Racism is covered under the Equalities Act, which covers discrimination due to all protected characteristics including race, gender, disability.</p> <p>Any public affirmation of an organisation's commitment would be covered in the diversity plans for staff and trustees, which FPR already publishes.</p> <p>There does not yet seem to be a standard definition of anti-racism which FPR could use.</p>
<p>Consider <b>neurodiversity</b></p>	<p><i>No change, because</i></p> <ul style="list-style-type: none"> <li>a) This is not a protected characteristic, and</li> <li>b) There is not a standard to observe it that we can reference</li> </ul>

<p>Re providing [info in] <b>Welsh language</b>: this might not be feasible [given the] capacity and funding of many organisations (especially if they award a small proportion of grants in Wales)</p>	<p><i>No change</i>, because</p> <ul style="list-style-type: none"> <li>a) This is not observable: foundations aren't obliged to disclose their grants so we might not be able to know what % of their funding goes to Wales</li> <li>b) Possible chicken &amp; egg situation! - maybe they have few grants in Wales *because* they don't publish in Welsh.</li> </ul>
<p>Diversity: <b>publishing numerical targets</b>. As I understand it, research on mandated diversity statements in recruitment shows that targets and focus on specific characteristics does not positively impact diversity and indeed may have a negative impact.</p>	<p><i>No change</i>:</p> <p>Re definitions: [for teachers] "A diversity statement is a polished, narrative statement, typically 1–2 pages in length, that describes one's accomplishments, goals, and process to advance excellence in diversity, inclusion, equity, and belonging [as a teacher and a researcher in higher education]."<sup>i</sup></p> <p>FPR doesn't look for these kinds of statement at all. So perhaps this comment isn't relevant.</p>
<p>incorporating <b>transparency on investment practices</b>, most realistically based on the forthcoming Charities Investment Governance Principles (CIGP), due to be launched in September 2024</p>	<p><i>No change</i>:</p> <p>The CIGP will be too late for this current iteration of FPR. Our research happens in August - November: foundations cannot be expected to have responded to something published in September. Plus our research relating to investment policies usually uses their annual reports, which have an inherent delay.</p> <p>We can consider adding it for Year Five (2025/26).</p>
<p>[Give credit for fdns which] Publish the[ir] investment policy (or key extracts from the policy)</p>	<p><i>No change</i>: We capture this already (in Q75 and Q76.)</p>
<p>Funders should publish <b>how their money is invested</b>, e.g. which fund managers they use, or if its property holdings, a summary of this etc.</p>	<p><i>No change</i>: We capture this already - in Q76 (e) and (g)</p>

<p>Maybe add something about <b>impact accountability</b>. Report on the impact of initiatives/ programmes have had.</p>	<p><i>No change:</i></p> <p>This would be very valuable. However, that is a complicated job for most individual foundations, let alone doing it across 100 of them. About the best that we can do for this many foundations and on a comparable basis is to look at whether the foundations publish about their own effectiveness, which we do.</p>
<p>Evidencing <b>membership of bodies which hold grantmaking foundations accountable for a commitment to race equity</b> - such as Funders for Race Equality Alliance</p>	<p><i>No change:</i></p> <p>According to FREA, there is no organization that currently holds grantmaking foundations accountable to race equity. (FREA is a membership body and does not do this role.)</p>
<p><b>Include Living Wage Funder</b> status in the rating: add a criterion: 'The foundation is an accredited Living Wage Funder'</p>	<p><i>We will incorporate this into FPR.</i></p> <p>This is a good idea. We will collect data on whether the fdns state on their website that they are Living Wage Funders: some do.</p> <p>This will be a non-scoring question for FPR Yr4</p>
<p><b>Payout rates.</b> Score [fdns on] whether the payout ratio is above a set threshold.</p>	<p><i>No change:</i></p> <p>There's no proper benchmark for this so we would have to decide on one, and that is fraught because it is a contentious issue: sensible people argue about whether there should be a pay-out threshold: it is not obviously a good idea.</p> <p>We could publish a graph of what each fdn's payout ratio is, because we know its giving budget &amp; its assets.</p> <p>We could gather data on whether foundations explain publicly why they have the pay-out rate that they do.</p>

<p>How transparent a foundation is in regards to <b>the origins of its funds</b>. Whether it has gone through the process to determine this and whether this information is published on its website. Where a foundation has benefitted financially from immoral/discriminatory means (e.g. slavery, colonialism) - what actions it is taking in response to this.</p>	<p><i>No change:</i></p> <p>There isn't a standard yet on how to investigate origins, or how to respond /what to do about them. There is no disclosure standard. FPR would need a way to create a criteria for this issue.</p> <p>Some foundations report where their funds originate e.g. funds are from XYZ corporate organization or individual, but not where/how that corporation raised its funds</p> <p>We will do nothing in Y4 and maybe include in our overhaul of criteria ahead of Year 5.</p>
--	--

<p><b><u>Issues to change about the way the FPR currently works</u></b></p>	
<p>The foundation publishes any <b>analysis of its own effectiveness</b> - examples of what this looks like in practice</p>	<p><i>No change:</i></p> <p>We already publish about this</p>
<p>It would be great if the <b>number of orgs assessed</b> are increased.</p>	<p><i>No change:</i></p> <p>To date, we have each year assessed 100 foundations drawn from the list of ~300 foundations on the ACF Giving Trends list + ~47 community foundations; so about 30% of the relevant 'universe' of foundations. That's a huge sample. The incentive for foundations to improve may not increase much if we assessed more foundations.</p>
<p>I would like to see specific examples of other particularly <b>crappy funding practices</b> highlighted.</p>	<p><i>No change:</i></p> <p>This would seem to take FPR into rather different terrain. It also would be hard / impossible to do from publicly-available sources: most griping is done privately.</p>

If the goal of the FPR is to improve practice, it would seem to make more sense to **review the same foundations** (as well as new ones) each year.

*No change:*

We do run & publish analysis of the foundations which are included year on year (whether by design, e.g., they fund FPR, or are included by random selection), as well as the full cohort.

## Next steps

1. The FPR criteria will not change in Year Four because:
  - a. We would like the criteria to be fairly stable, at least for Years 1/2/3/4. Given our shift from the ACF Giving Trends listing to UK Grantmaking as our sampling frame, maintaining stable criteria is prudent. This allows us to closely monitor the effects of the change of cohort.
  - b. For some issues raised in the consultation, we will assess the current state of foundation practice before determining whether to incorporate criteria related to those issues in subsequent years. We aim to ensure that all criteria are both achievable and aligned with the overall purpose of the FPR.
2. In Year Four, the FPR will include two questions, which will both be non-scoring questions:
  - a. Whether the foundation has made a public statement as a Living Wage Funder. This is complementary to Q50 (= Has the foundation made a public commitment to be a Living Wage employer?). FPR will seek to understand which foundations make this declaration, and in what manner. This is in preparation to possibly adding this as a scoring criterion in future years.
  - b. Whether the foundation provides any explanation on why they have the pay-out rate that they do.
3. During this consultation, some accountability-related issues concerning racial justice emerged. These included membership in oversight bodies responsible for ensuring racial equity, public commitment to anti-racism, and transparent acknowledgement of the foundation's original funding sources. The team will assess the feasibility of objectively measuring these aspects, for consideration in the criteria overhaul, perhaps in Year Five.
4. From the consultation, there are some areas that we still need to emphasize in our communication including: why we use a cohort of 100 foundations and why we draw a different cohort every year.

Caroline Fiennes, Giving Evidence



---

<sup>1</sup> The Bok Center at Harvard University, <https://bokcenter.harvard.edu/diversity-statements>