

Foundation

Practice

Rating

Foundation Practice Rating

March 2025



Fair economy. Better world.

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Purpose & Principles



Process



Findings



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FPR's Purpose and Model



Goal: To improve UK grant-making foundations' practices in three domains: diversity, accountability & transparency.

Method: is to **incentivise change**, by assessing foundations' practice – annually. We use clear criteria which are independent (as far as possible) and informed by consultations with the sector. The criteria are public & published in advance of the research starting. We publish guidance on how to perform well / improve practices.

Model: FPR is foundations improving themselves: hence funded by a group of fdns

Heritage: This is Year Four: data gathered in Autumn 2024

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Three underlying principles



- FPR is an **absolute measure** of practice, not a relative measure
 - Hence it is a rating, not a ranking
 - Everybody can be at the top (or at the bottom); everybody can rise (or fall)
- Objectivity
 - Foundations cannot opt-out if they are randomly selected
 - Criteria and thresholds are based on other indices etc., and our annual public consultations
- Perspective of the prospective applicant
 - FPR uses only **data** available to them: material on foundations' website and charity regulator
 - FPR mimics the **time** that they might spend: up to 90 minutes for each foundation

Process: Research and criteria



Who does FPR assess?

Each year, we assess 100 UK grant-making charitable foundations:

- The fdns which fund FPR*
- The five largest UK fdns, by giving budget
- Stratified random selection of fdns on UK Grantmaking's list**. These include: community foundations and non-community foundations
- We draw a fresh sample each year. This is to ensure our findings are representative of the sector
- Fdns can now opt-in. Their results are kept separate to the main cohort of 100 to avoid selection bias.

* One, JRRT, is not a charity

**Note: This is an unavoidable change in sampling frame since last year. Hitherto, we used ACF's Fdn Giving Trends List, but that discontinued. More later. This £1m+ lower-bound is to match the lower-bound of the ACF list (which changed a bit each year), so minimise the disruption of this unavoidable change.

Process: Research and criteria



- For Year Four, we used the data-source UK Grantmaking, produced by 360Giving and which launched in 2024.
- This is a much larger list with over 12,000 entities, categorized as: grantmakers, charities, government foundations, lottery distributors, donor-advised funds, and companies.
- We aimed to find the subset of the UK Grantmaking list which is most similar to the ACF list to minimise disruption to FPR's time-series
- We applied the following inclusion criteria:
 - Should be from the Grantmakers category
 - Should be active
 - Spending on grantmaking to institutions should be >£1m
 - Should qualify to need a full audit
 - Should be a general-purpose grant maker – excludes benevolent funds
- The final sampling frame had 625 foundations – 39 comm fdns and 586 others

Process: Research and criteria: Selecting Community Fdns



- We fixed the number of comm fdns, to reduce 'noise' / confusion:
 - In previous years, comm fdns have performed better than others.
 - The number of comm fdns has fluctuated greatly: Y1 had 5, Y2 had 8, Y3 had 16.
 - The random changes in number of CFs in the cohort affects the overall cohort results, and can be mistaken for changes in performance of the overall cohort.
- Henceforth FPR will assess the same number of comm fdns each year: specifically, the number which corresponds to their proportion in the sampling frame. For Year Four, that is six comm fdns (39/625)
- We also changed the way we select the community foundations:
 - Previously the list of CFs from UKCF was combined with the ACF list, stratified into quintiles by giving budget, and random selection done within each quintile.
 - We now separate the CFs from the non-CFs, stratify each list into quintiles, and select the required number of CFs from each quintile.
 - This ensures that we have CFs from each quintile of them.

Process: Research and criteria



On what are they assessed?

Their practices in three domains : diversity, accountability and transparency.

- We have 56 criteria (which score), and 44 'questions' (which don't score but which we use, e.g., URL)
- Criteria are based on existing other measures – and what charities & the sector tell us that they want
- Fdns are exempt from criteria which are not relevant, e.g., pay gap data not expected for fdns with no staff.

The exemptions matter: they mean that foundations are not penalised for, say, having few staff or not accepting unsolicited proposals.

The criteria

- Are basically the same as in previous years. That's deliberate to not move the goal posts.
- Because we are deliberately not moving the goal posts, we have made only very minor changes in each year thus far.
- We made three changes in Y4:
 - Revised the elements of investment policies to reflect new guidance from CCEW
 - To count (for Q65), any feedback from grantees needed cover all the fdn's work
 - To score for analysis of the fdn's effectiveness, there needed to be analysis other than feedback from grantees/ applicants

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Process: Research and Criteria



How are they assessed?

- Each foundation is researched by two researchers operating independently.
- Each researcher has up to 90 minutes per foundation – to answer all ~90 questions and criteria. [Investment criteria are assessed separately by an expert in that.]
- Researchers use only material on the fdn’s website (incl. reports there) and its filings with its regulator
- The two answers are compared by the Research Manager, and moderated, maybe involving a third researcher
- Each foundation is sent the data about it, for it to check.

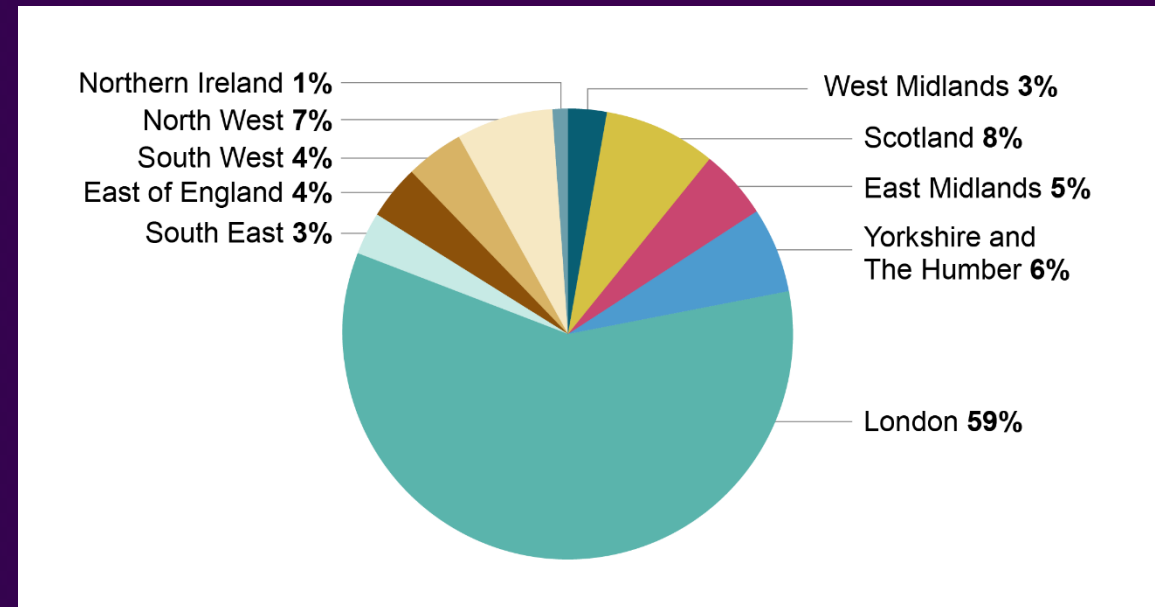
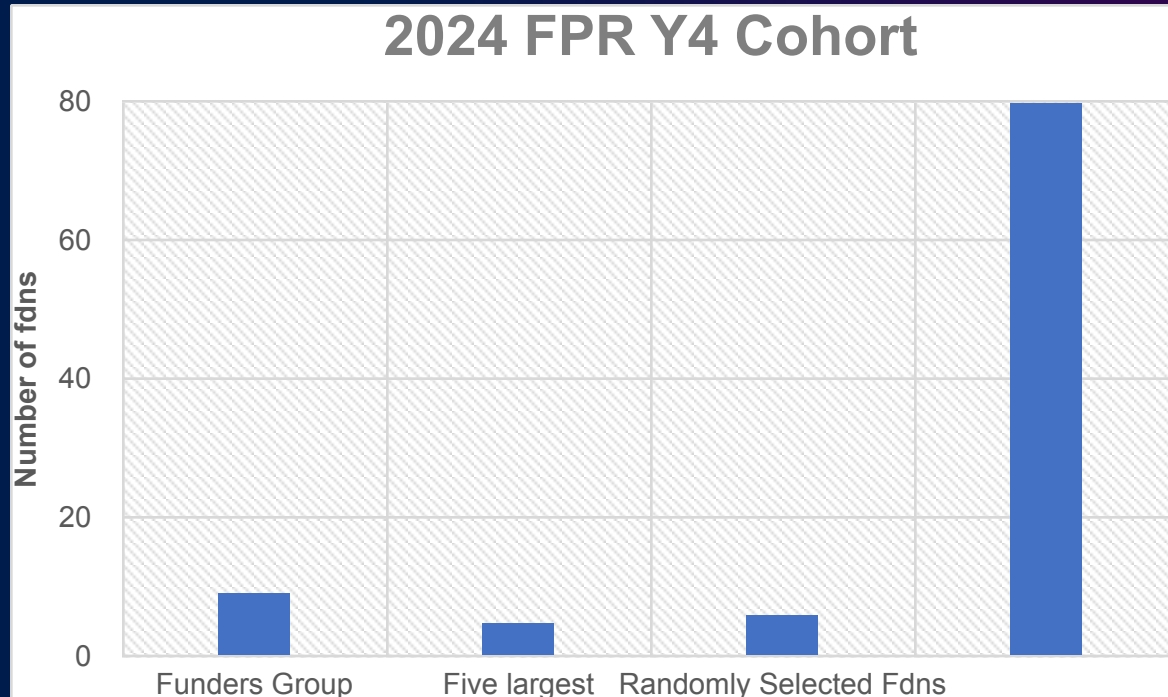
What do results look like?

- Each foundation gets a numerical score on each domain (eg., 20% on diversity). That determines its rating on that domain (e.g., C on diversity). From the three ‘domain ratings’, we determine the fdn’s rating overall.
- Ratings are A/B/C/D: A is top.
- Each fdn gets something like B (A, B, C):
 - That means: overall rating (rating on diversity, on accountability, on transparency)

The Year Four Main Cohort



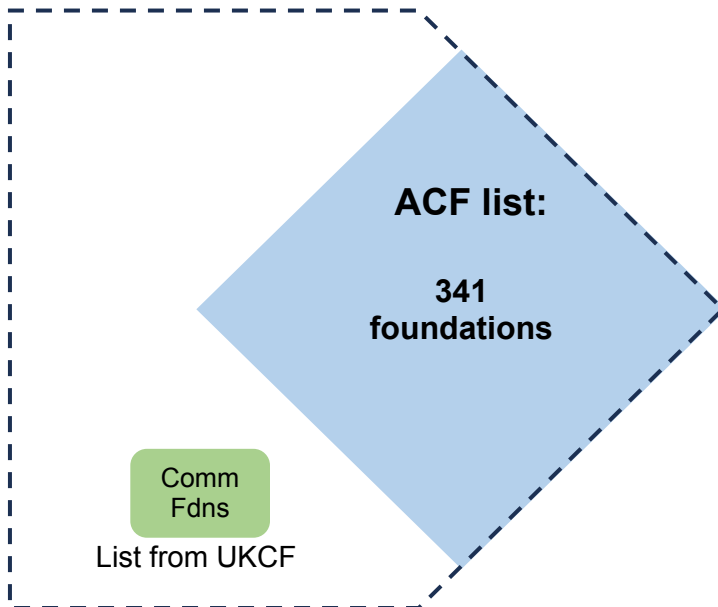
As it happened, no included foundation was head-quartered in Wales.



The Y3 and Y4 sampling frames

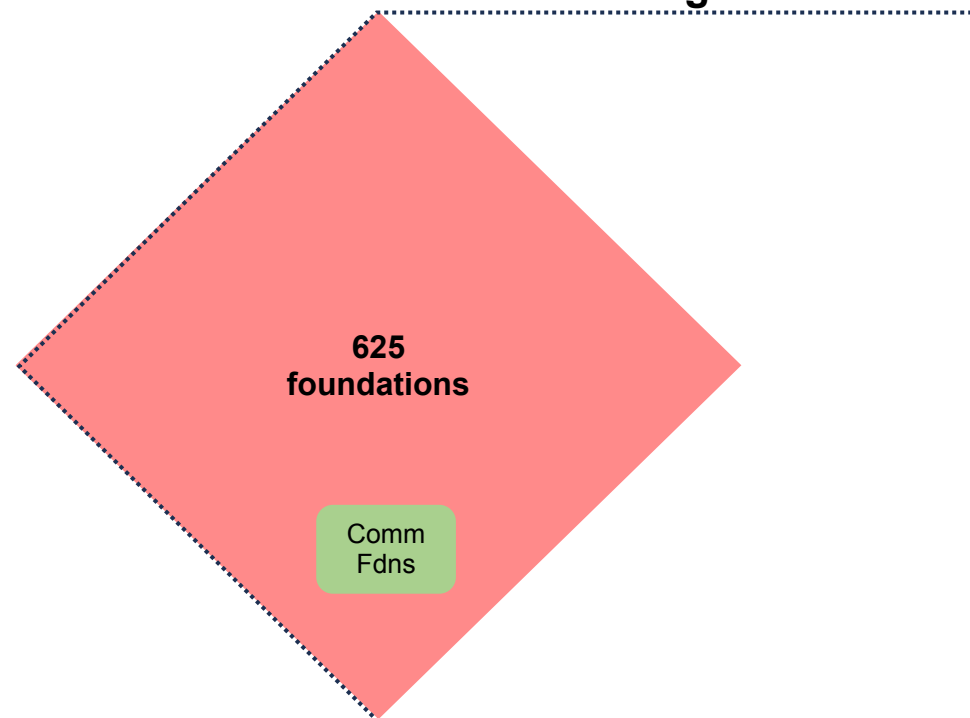


Year Three

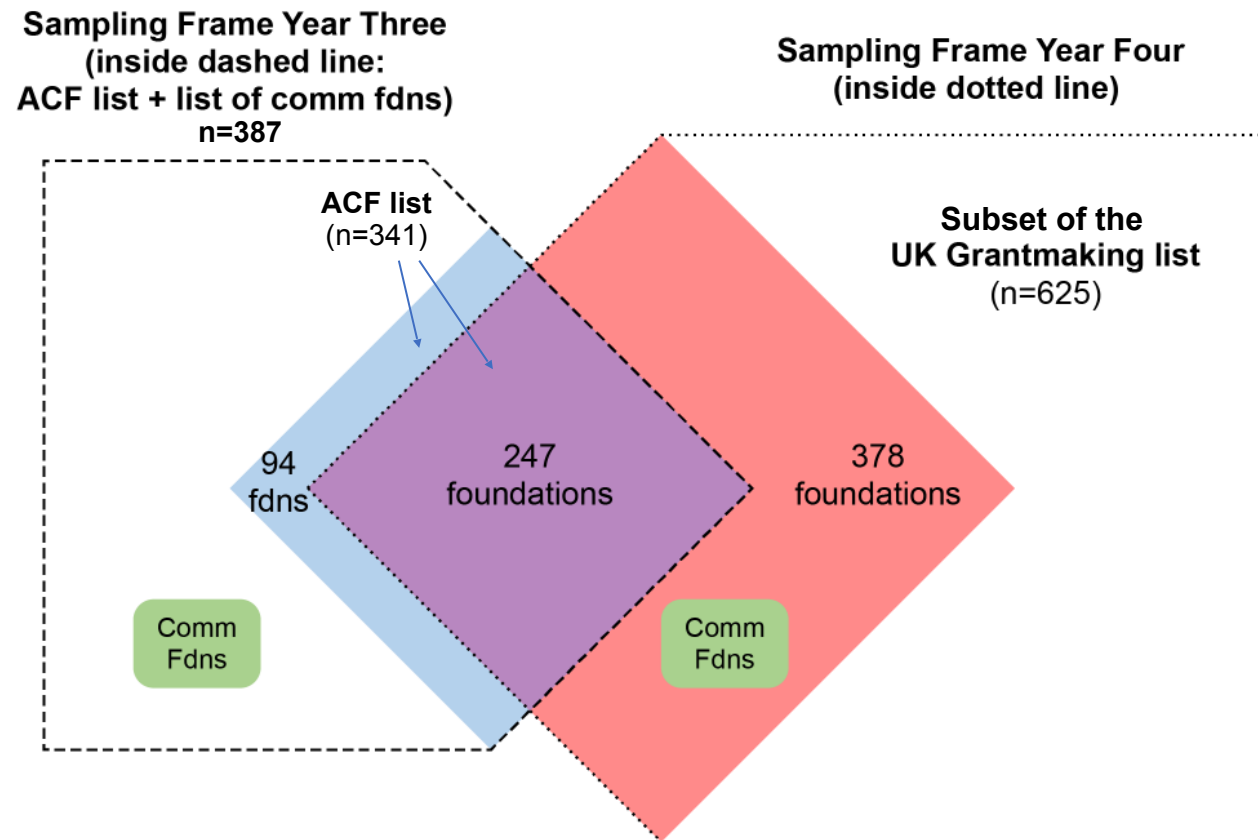


Year Four

Our subset of the UK Grantmaking list



Relationship between the Sampling Frame in Year Three and That for Year Four



- Blue or purple foundations were on the ACF list and could have been selected in previous years. They were previously in-scope.
- Red foundations were not on the ACF list and could not have been selected in previous years. They are newly in-scope.

Note: "ACF list" here means the ACF Giving Trends report of 2022. That was used for FPR's Y3 cohort as it was the most recent. There was some churn amongst foundations listed in the various ACF Giving Trends lists over time. "UK Grantmaking list" here means the subset which FPR took from that (= charitable fnds with giving budget £1m+ pa; not inactive and not benevolent funds).

The New Sampling Frame is Pretty Different – on Many Characteristics

Characteristics of the randomly-selected foundations in the Y4 cohort, aside from community foundations

Average...	Randomly-selected foundations in Y4 cohort that were on previous ACF list (blue / purple box: n=24)	Randomly-selected foundations in Y4 cohort <u>not</u> on on UK Grantmaking but not the previous ACF list (red box only: n=56)
...giving budget	£5.9 million	£3.9 million
...net assets	£87 million	£19 million
...number of staff	14	6
...number of trustees	7	7
% with a website	83%	70%

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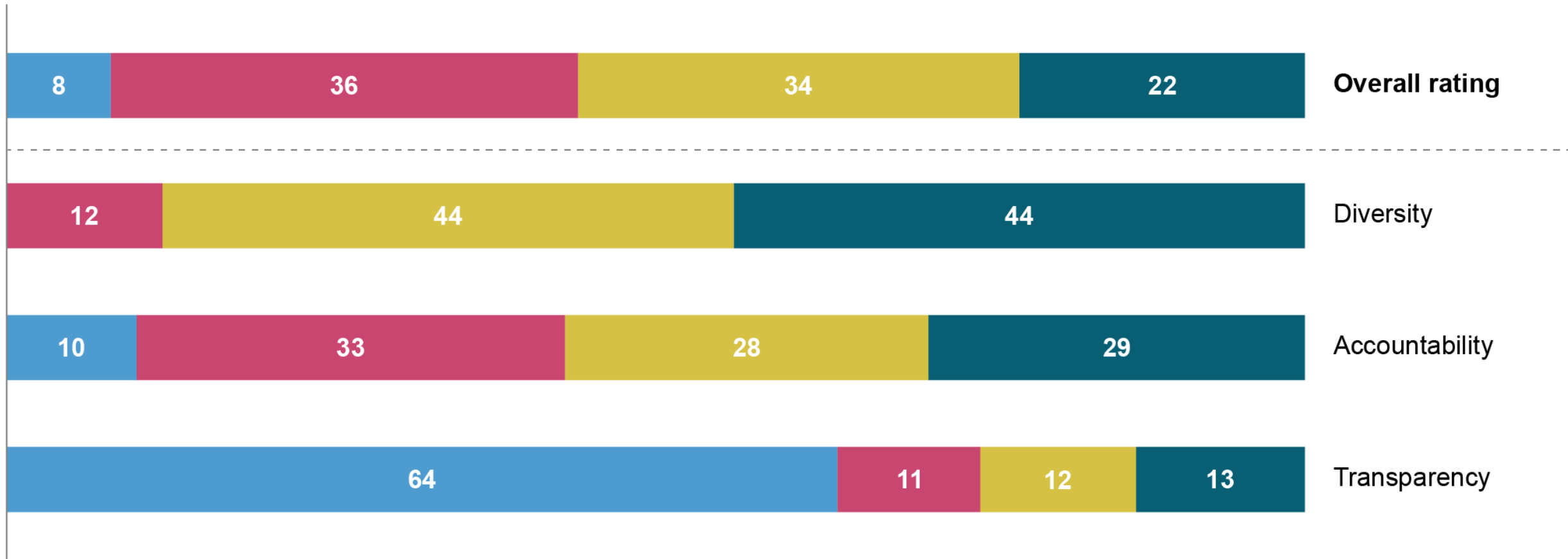
Findings



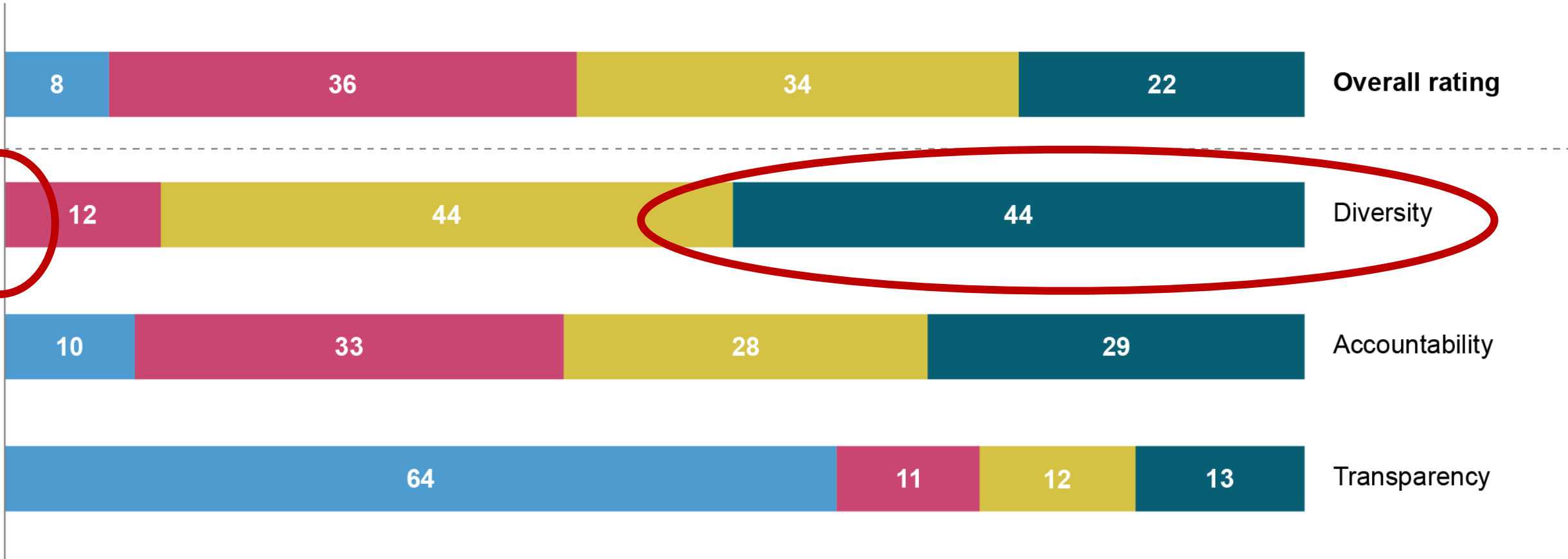
Again: All Criteria Were Met This Year 😊



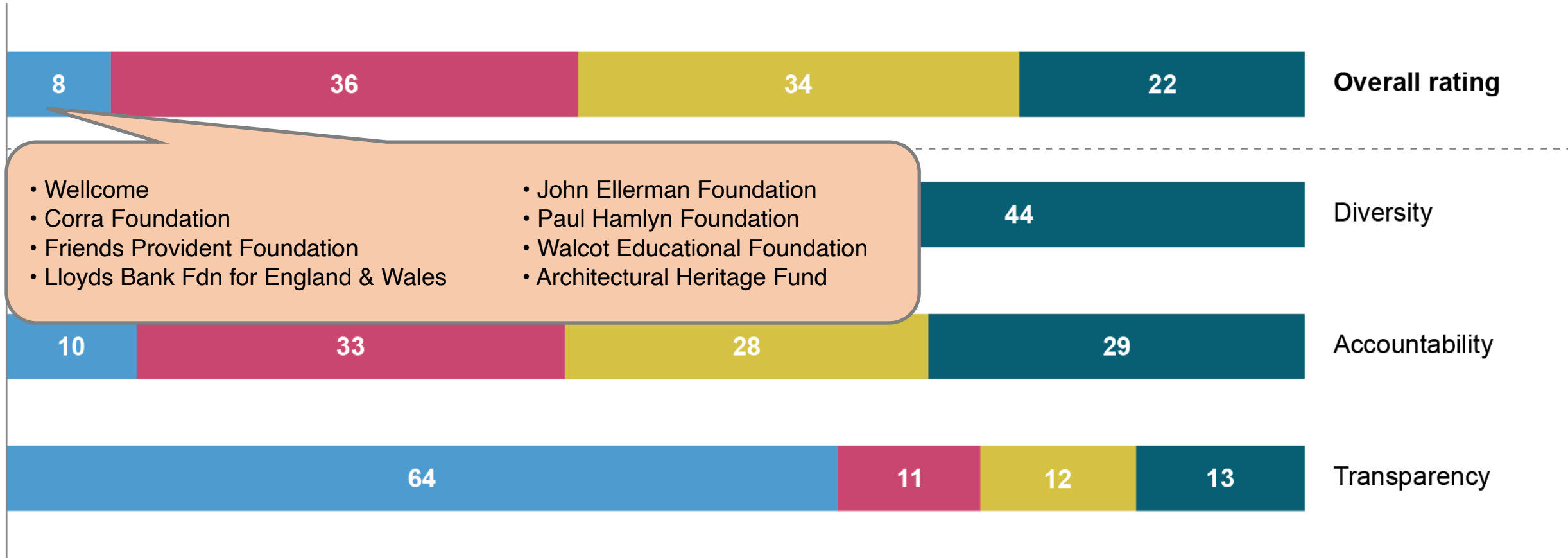
Results for Year Four (2024/25)



Results for Year Four (2024/25)

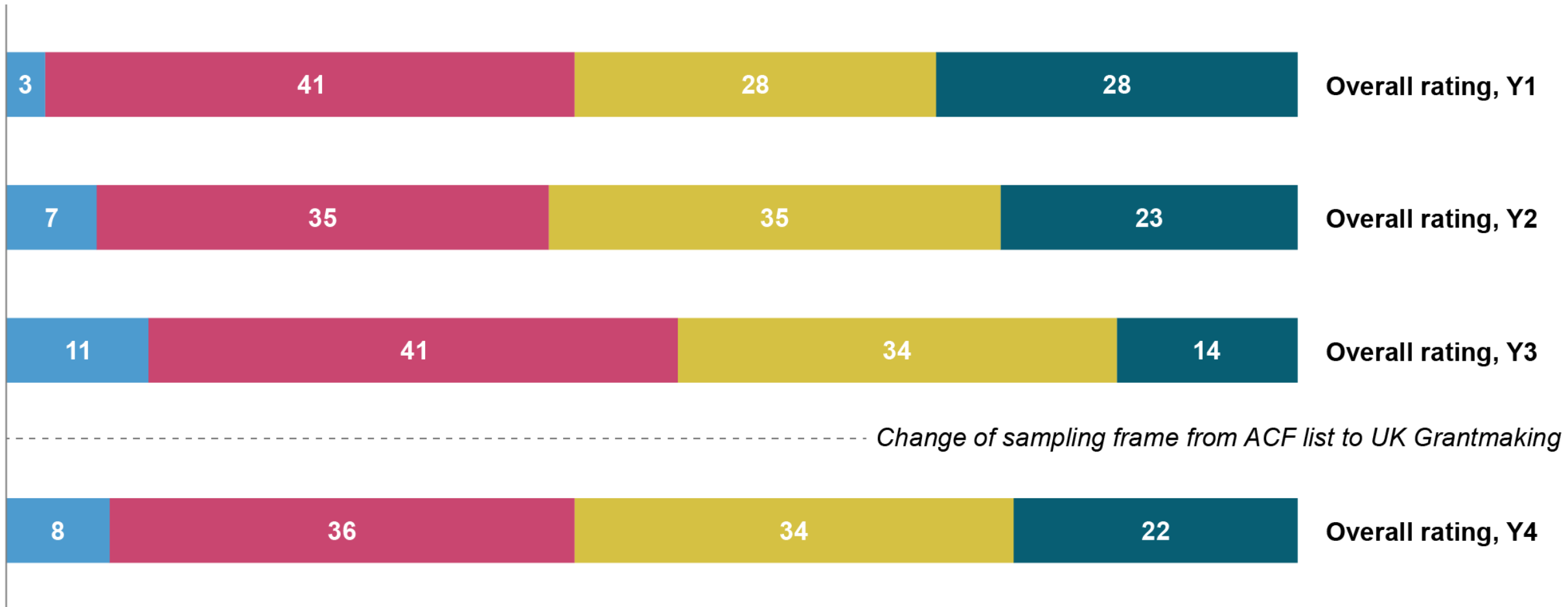


Results for Year Four (2024/25)



Overall Results Each Year

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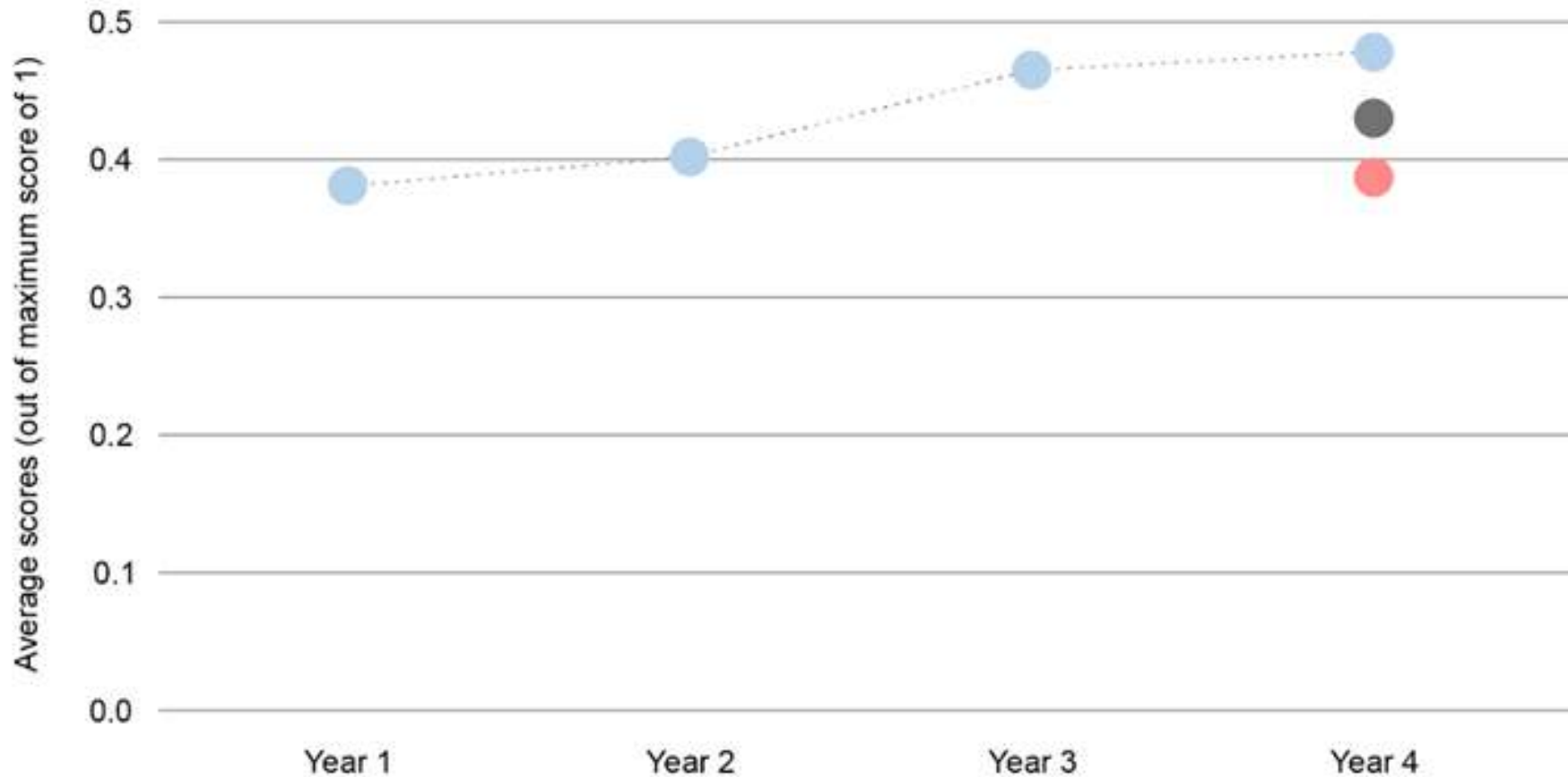


Change of sampling frame from ACF list to UK Grantmaking

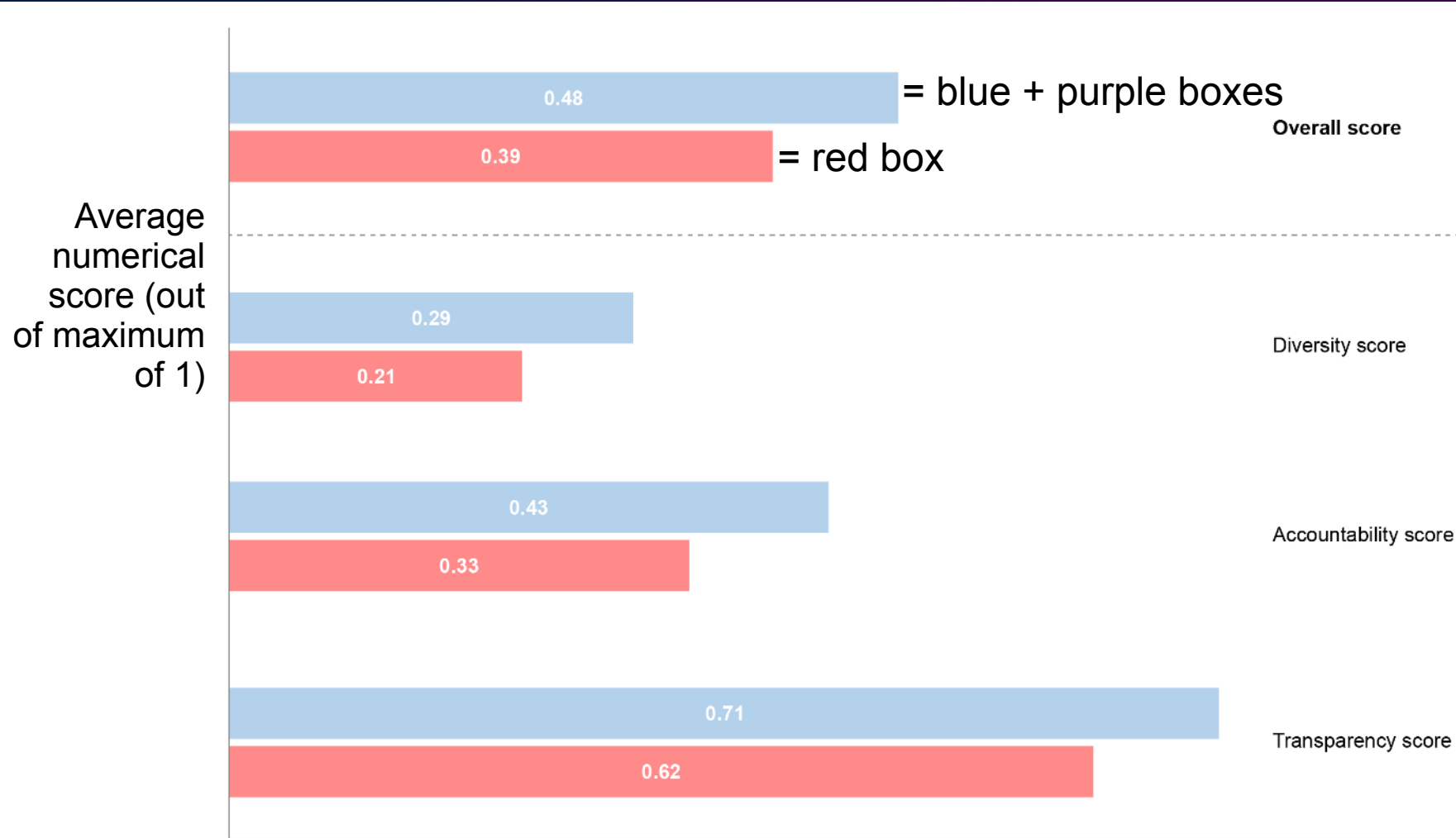
A B C D

Like-for-like performance is improving

- Randomly-selected foundations which were on ACF list ie, could have been chosen in any year = blue + purple boxes
- All randomly-selected foundations in Y4 (which were on ACF list and on UK Grantmaking) = black box
- Foundations randomly-selected in Y4 which were not on ACF list so could not have been selected in Y1,2,3 = red box

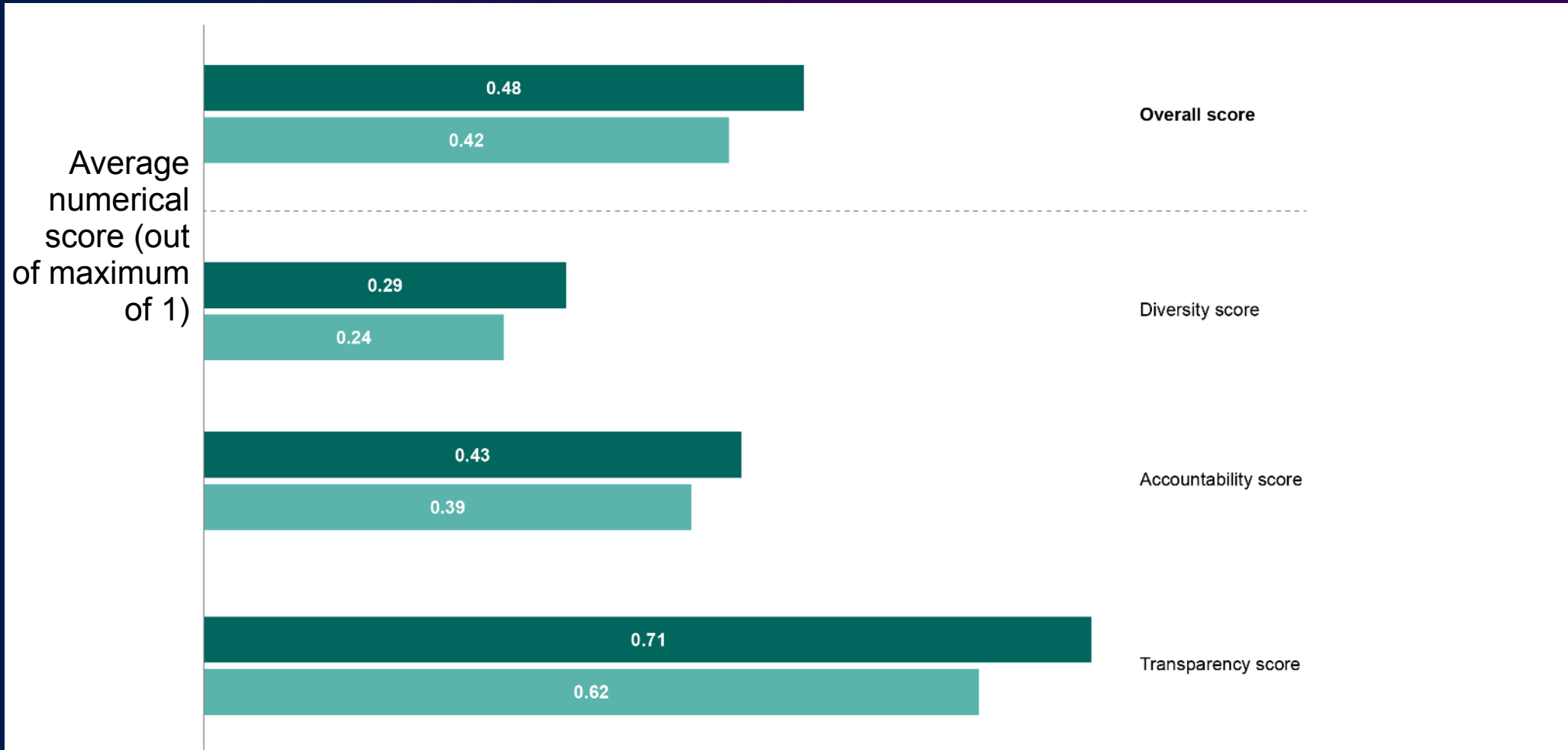


The Newly In-Scope Fdns are Pretty Different – by Results



■ Randomly-selected foundations which were on the ACF list (N=24)
■ Randomly-selected foundations which were not on the ACF list (N=56)

Year-on-year, like-for-like (i.e., removing effect of the Sampling Frame change), continued improvements 😊

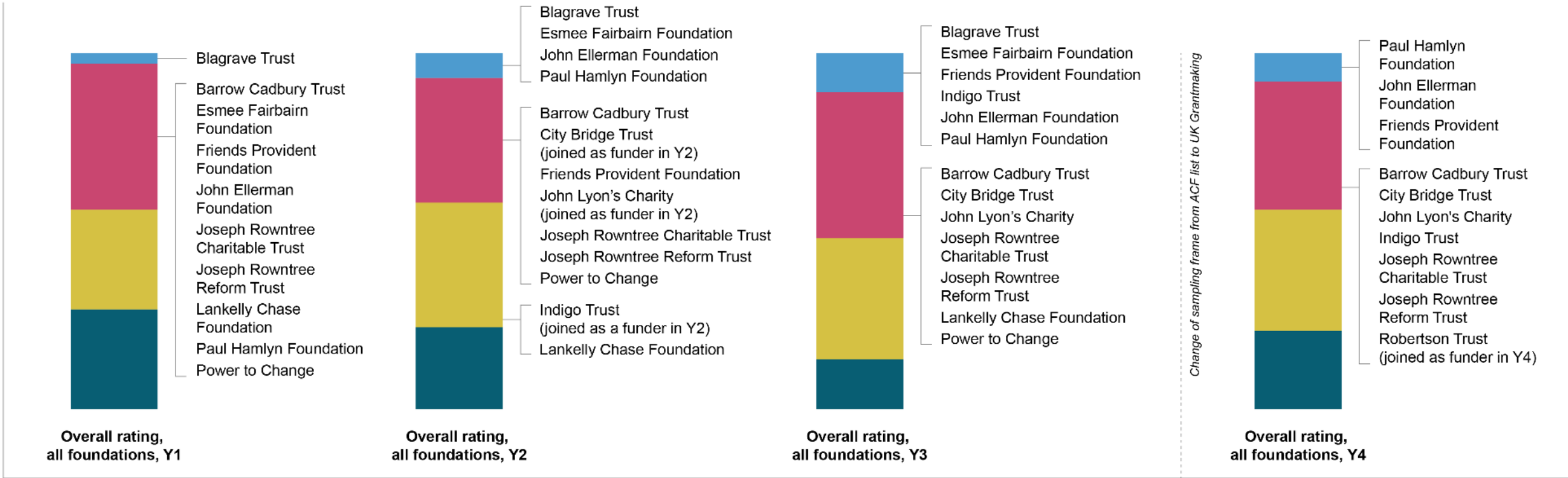


Randomly selected foundations in the Y4 cohort that were on previous ACF list (N=24) (ACF list did not include comm fdns)

Randomly selected foundations in the Y3 cohort, excluding the community foundations (N=66)

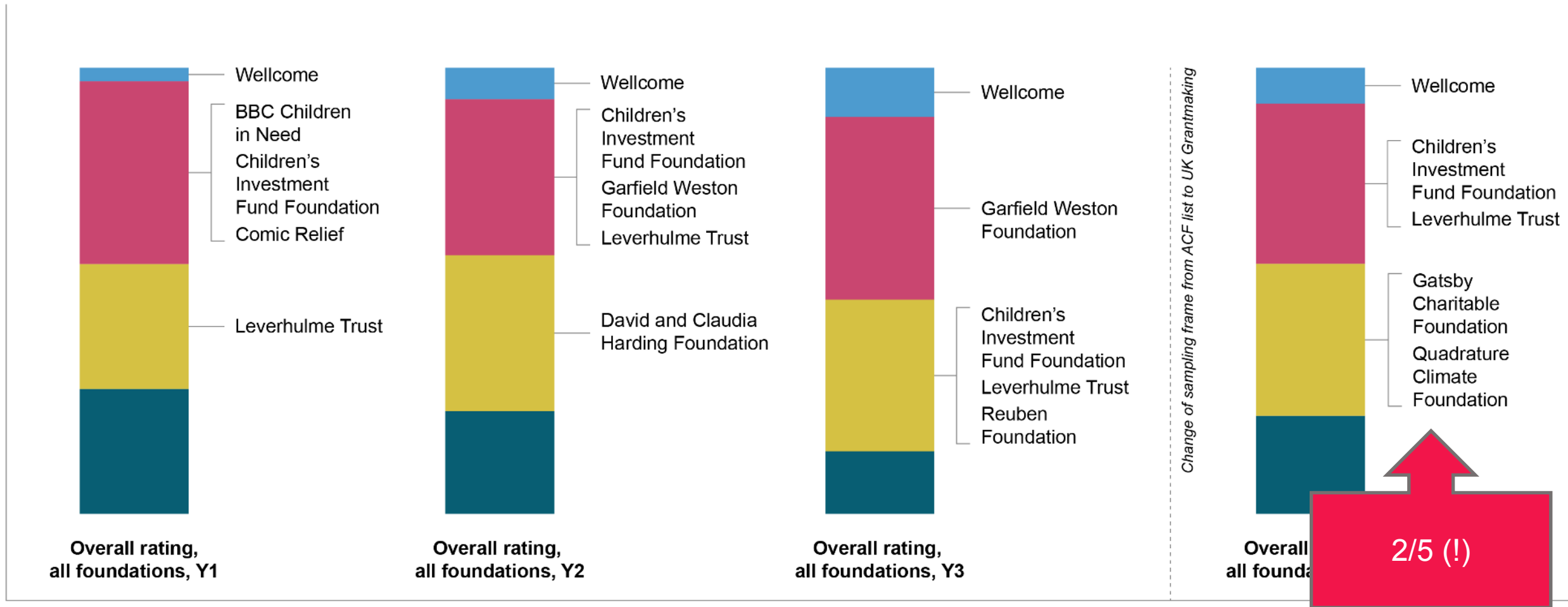
Do the foundations which fund this all get top marks? No:

■ A ■ B ■ C ■ D



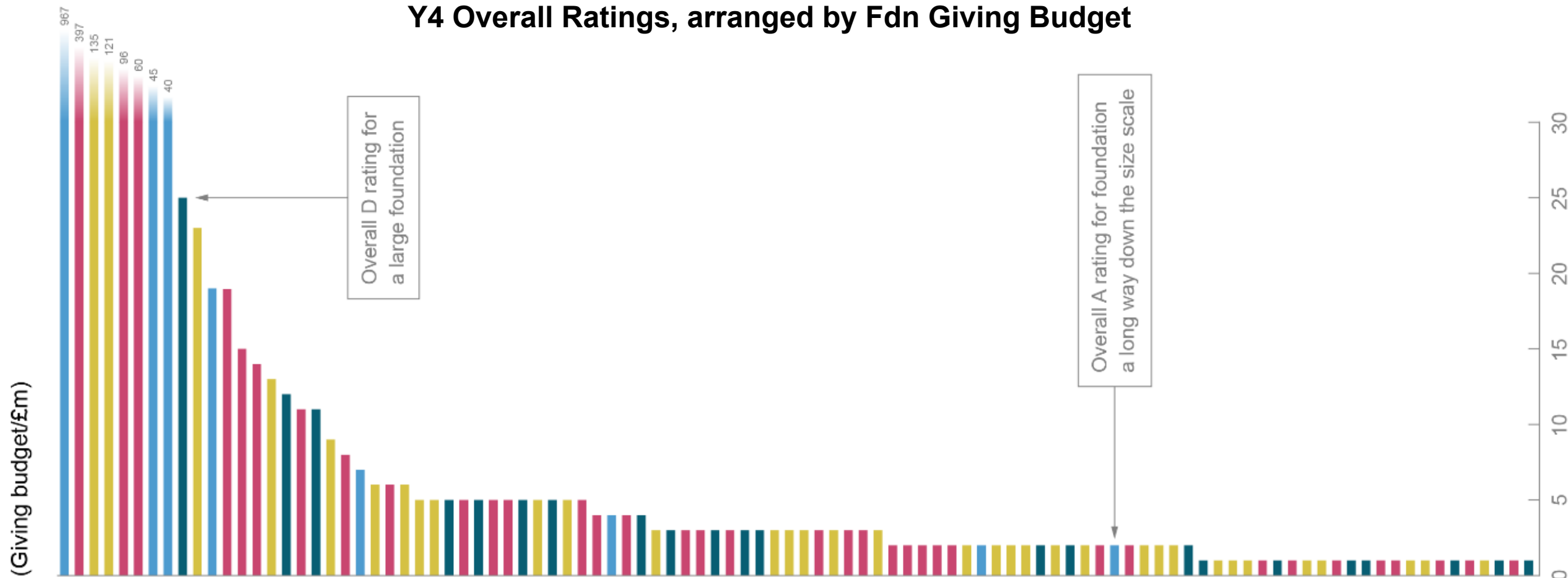
Do big foundations all rate highly? No:

■ A ■ B ■ C ■ D



FPR results don't correlate to fdns' financial size (giving budget or net assets)

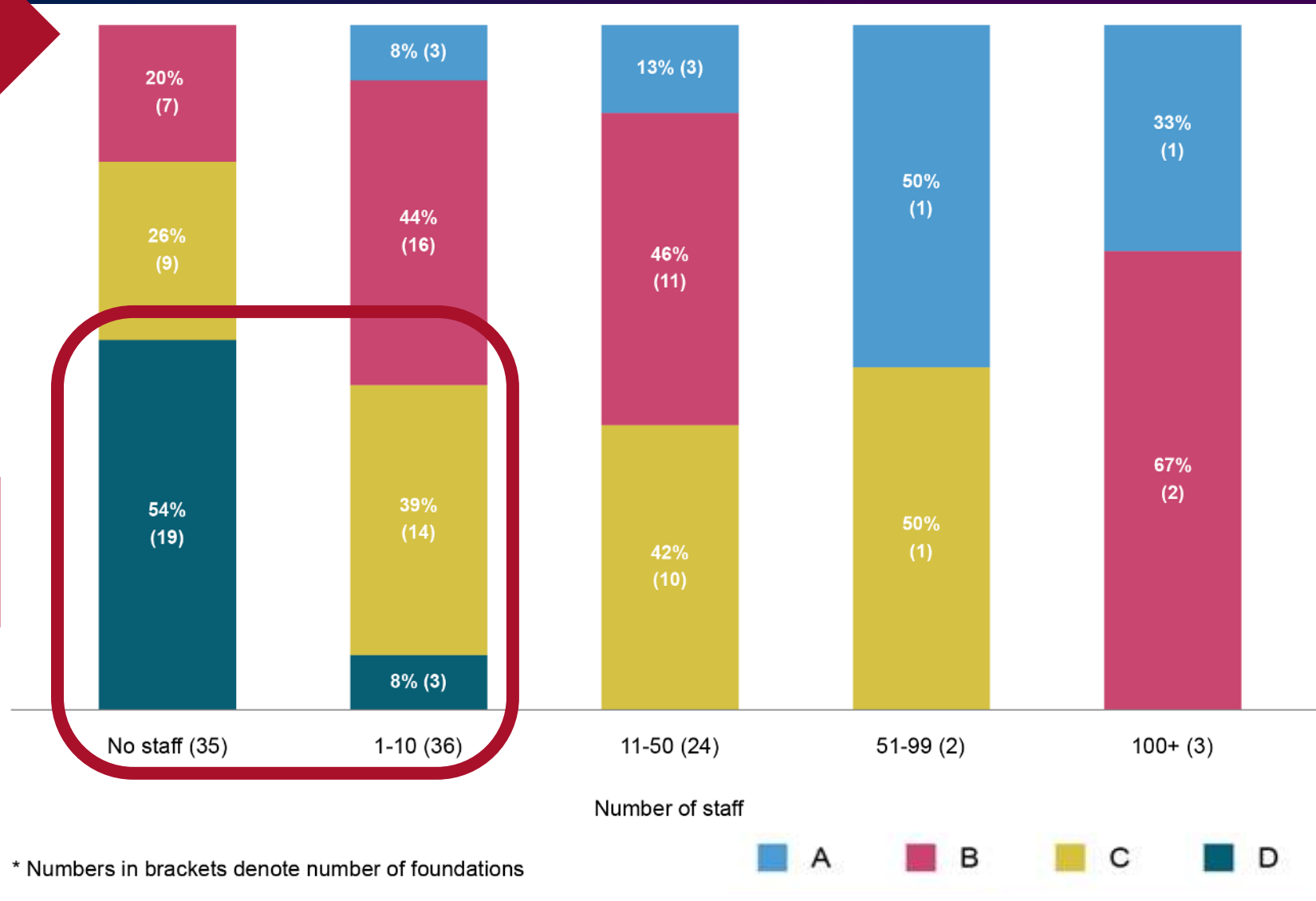
Y4 Overall Ratings, arranged by Fdn Giving Budget



Again we found that fdns with few staff perform worse than fdns with more staff

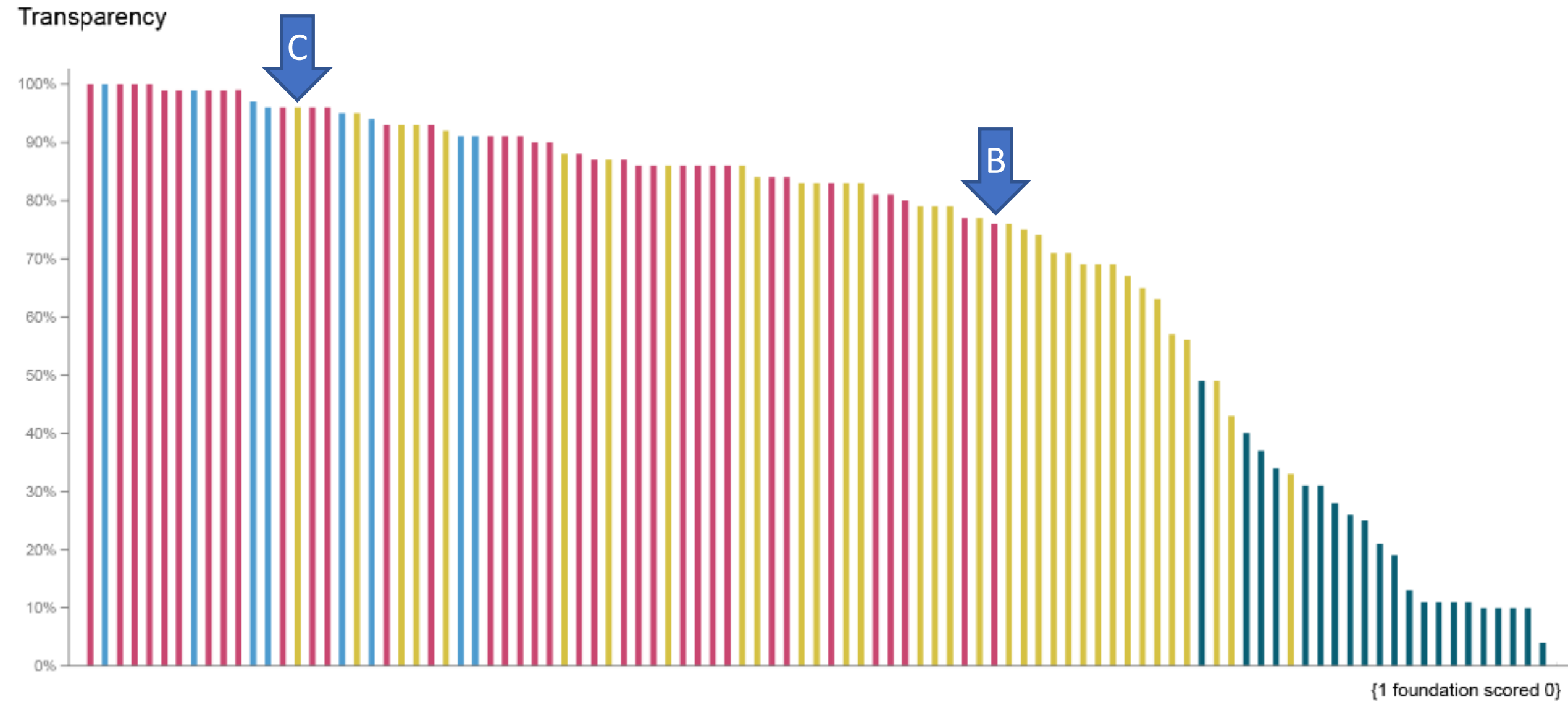
No unstaffed fdn gets an A

Ds are unique to fdns with <10 staff



Again, scores on the three pillars are not always correlated.

Transparency scores in Y4, with overall score indicated by colour:



Other patterns

- **Effectiveness:** Still few foundations publish quantitative analysis of their own effectiveness (as opposed to just where their grants go). In Y4, only seven did, down from 16 last year. Of those, most were feedback from grantees. We found some good practice, but overall, foundations could usefully better understand their own effects and how to improve them.
- **Contact info:** For more than half of the included fdns, the email address is a generic one - such as info@ or enquiries@. Often those are checked never or rarely. (We know this because the fdns tell us!)
- **Websites.** Again, surprisingly still many fdns don't have them: 21 of the included fnds had no website (vs 13 in Year Three and 22 in Year Two, none of them comm fnds). Some fdn websites are overly cluttered or limited. This matters because the website is normally how potential applicants view a foundation, as well as how others see the sector. None of the 12 fdns rated D on all three domains had a website.
- **Community foundations continue to outperform the broader sector**, and by an appreciable margin. By Y3 already, we had enough data to be confident that this is statistically robust, and it continued this year.
- **The effect of being assessed.** The difference in scores / ratings of fdns which have been assessed before vs. those assessed for the first time is tiny. This implies that FPR's effect is across the whole sector, rather than on the individual fdns.

Findings on topics from consultations

- *Payout rates:* we determined that payout rates were relevant only when more than half of a foundation's income came from investments. Out of 31 Year Four foundations that met this criterion, 25 provided comments related to their payout rates or a link between investment policy and grants. This analysis required significant judgment, as a few foundations explicitly stated their intended payout rates, while others offered limited information
- *Living Wage Funder:* 14 fdns in the Y4 cohort have publicly committed to being a Living Wage Funder, compared to 26 that have pledged to be Living Wage Employers. Funders (can) influence grantee practices, including salary structures. This is one way that they could contribute to the challenges of low-paid and insecure work within the sector.

Foundation reactions thus far to Year Four

We are always looking to improve what we do and had already looked at the Foundation Practice Rating criteria to help highlight areas that we could focus on

It will be a very useful tool to help us decide how to develop our governance and accountability going forward.

Just from the process so far, [we] have identified some areas in which we can improve our practices

The Trust welcomes initiatives that seek to improve diversity, transparency and accountability in the Foundation Sector

Your review was very helpful to see, and timely given ongoing discussions here to both develop the openness of our work, and to improve our website

Conclusions



- Progress! In many respects 😊
- But fdns still have much work to do on all three areas, particularly diversity / accessibility
- It's great that FPR now includes a wider set of foundations so can reflect a practice more broadly
- There is some good work going on that isn't disclosed publicly. That pulls some scores down – and will confuse / deter some prospective applicants
- More foundations should have diversity plans – esp. with targets – and report the diversity of their staff and boards – and grantees / applicants
- Again / still:
 - Most foundations could be much more accessible: e.g.,. most have few ways to contact them
 - Many fdn websites could be much clearer and easier to navigate

Next steps



Our annual consultation to hear your views is open NOW and until end May...

then we do it all again next year.

After next year (i.e., after Year Five), we envisage reviewing all the criteria

<https://www.surveymonkey.com/r/FPRconsultationY5>

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FPRconsultationY5](https://www.surveymonkey.com/r/FPRconsultationY5)

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