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## **The Fish Tank**

### **Interim Review for 2022**

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**14<sup>th</sup> November 2023**

#### Introduction

The purpose of this paper is to give an insight into the current financial picture for grantmaking in the UK. The data source for this report is our record of 100 UK foundations' accounts, where we have nine data points stretching back to 2004. These funders are a typical cross-section of funders within a portfolio of a grant seeking organisation. We have included large funders, such as the Leverhulme Trust and smaller ones, such as the Walter Bigg Foundation. In 2021 these funders gave out £560 million on grants and had assets of £15 billion. As such, they are a reasonable insight into the world of UK foundation grant making.

We have managed to find 85 sets of accounts for 2022 and we have compared this group in a like-for-like comparison with data from previous years. We are missing a few major foundations, such as Esmee Fairbairn. The results of these funders do tend to skew the total data, as any shift by such a large fund is likely to have more impact than a dozen smaller ones. This is a common issue with this dataset. We have chosen to include these shifts within our analysis, as they reflect the reality of any funding portfolio.

The National Lottery is not included in this dataset, as it would undoubtedly dominate every data line.

## The Results

In 2022 these 85 funders increased grantmaking by £7 million (from £467 million in 2021 to £474 million in 2022). This level of giving is the highest since the study began in 2004, although it is only a rise of 1.5%.

This is particularly interesting, as income declined by £95 million from 2021 to 2022 (a decrease of 22%). At the same time, investment gains were only £94 million, compared with gains of £1,331 million in 2021 (which was an exceptional year). This is a reduction, year on year, of 93%.

It is very encouraging that these grant makers have decided to maintain grantmaking at the record levels of 2021, whilst the current income sources have plummeted. This must be a positive sign of the resilience of foundation philanthropy during very challenging times. On the other hand, it might be a reflection of budgets which were set upon income and investment gain performances that were very positive from 2017 to 2021. Across this period, income had risen from £297 million in 2016; and, investment gains had been very high (except in 2018 and 2020). After the income and investment performances in 2022, foundations might be less confident about maintain grantmaking.

We have also explored the more detailed performances, as well as the overall figures.

With respect to grantmaking, there has been a broad commitment to increasing grantmaking (with 43% of the foundations increasing giving by more than 15%).

- In 2022 the results of eight funders explain most of the difference in grantmaking from 2021:
  - City Bridge and Leverhulme *decreased* their grant making by a total of £76 million between them.
  - This was counter-balanced by six other funders who, together, *increased* their grantmaking by £70 million:
    - Henry Smith by £26 million
    - Health Foundation by £26 million
    - Stoller Foundation by £6 million
    - Portal Foundation by £4 million
    - Joseph Rowntree CT by £4 million
    - National Art Collections Fund by £4 million

With respect to income, the granular picture also confirms the overall one.

- 50% of the foundations had only modest changes to their income (+ or – 15%). This is a common bandwidth.
- 30% saw income rise by more than 15%; with 20% experiencing a similar shift downwards.
- Only one funder, The Rothschild Foundation, had a major rise income (+£22 million), whereas five had substantial reductions:
  - City Bridge: -£13 million
  - Westminster Foundation: -£7 million

- Grocer's Company Charity: -£6 million
- Zochonis Trust: -£5 million
- National Art Collections Fund: -£3.5 million
- The balance of these major shifts doesn't explain the drop of £95 million in income from 2021 to 2022. This requires more analysis to find a full explanation. Early indications show that for most of the foundations who did experience income reductions, many were for more than -35%. It might be that these reductions will explain the gap. This requires further investigation.
- A substantial contributing factor to the reduction in income was the dramatic drop in donations. In 2021, these 85 foundations received £155 million in donation income. This slumped to £49 million in 2022. This is the lowest level of donation income since 2016. Income from investment assets remained steady from 2021 to 2022.

### What Does This Mean for Grantseekers?

Firstly, this is a positive sign of the resilience of grantmaking in the UK. After the turmoil of 2020-21 and the hiatus of 2021, it would have been understandable if foundations had cut back, especially given the poor investment gain income. Across our dataset, since 2004, with all of the economic turbulence of these years, grantmaking has only been cut back on four occasions, often by very little:

2008: -1%  
 2013: -9%  
 2016: -3%  
 2020: -5%

It's in the nature of foundations to smooth out the fluctuations of income to protect grantmaking.

However, there are some warning signs that, at best, grant making will not grow; or, even decline:

- The reduction of donation income could indicate a shortage of current wealth for injecting into foundations (often these donations boost immediate philanthropy).
- When foundations are setting future grant expenditure budgets based upon patterns of past income, then 2022 will have reduced the value of these calculations – so they might be more conservative with their grantmaking.
- As with every year we have studied, the 'ups' and 'downs' are attributable to a very small number of foundations. As always, it's so important to be able to spot and align yourself to the winners in any market. Even in poor years, there will be foundations who substantially increase their philanthropy.

## Next Steps

We will complete this research and re-issue this review when we have all 100 datasets – from experience we know that the returns of a small number of funders can completely change the picture.