

Report of Overseas Study Tour conducted in March 2006

Sylvia J Geddes, Executive Officer, The R E Ross Trust

Contents

- A.** Overview
- B.** Trusts and Foundations visited
- C.** Purpose of this report
- D.** Structure of this report
- E.** Some Key Findings in Brief
- F.** Multi-Year Granting
 - I** Approaches Taken
 - II** Financial Management
- G.** Value Added Work
- H.** Changes Over Time
- I.** Administration Costs
- J.** Public Domain Data
- K.** Networking with like Trusts and Foundations
- L.** Frequency and type of trustee grant meetings

A. Overview

In March 2006 I undertook a four week study tour to the United Kingdom and Europe at the suggestion of the Trustees of The R E Ross Trust: the tour was paid for by the Ross Trust. The study tour visits I made were arranged to explore some matters of particular interest to the Ross Trust; they were not intended to be and did not constitute a comprehensive survey of the work of all charitable Trusts and Foundations in the United Kingdom and Europe. Dr Rien van Gendt, Executive Director of the Van Leer Group Foundation and Steven Burkeman, a consultant in philanthropy and former CEO of a major UK Charitable Trust, knowing the main matters of interest I wished to explore, assisted me in selecting Foundations to visit.

I visited 13 Charitable Trusts and Foundations in Europe and England; the European Foundation Centre in Brussels; and The Global Fund and the Social Determinants of Health section of WHO in Geneva. I attended, at the invitation of the City Parochial Foundation, a Panel Debate on the merits or otherwise of government funding of community service delivery which was part of a one day conference organised by Bridge House Trust and Age Concern and I attended, at the invitation of the Friends Provident Foundation, a seminar on Credit convened by the Financial Exclusion Issues Based Network of the UK Association of Charitable Foundations.

Chief executives of Foundations and others gave generously of their time to tell me about what they do and the way they do it and arranged for me to meet others involved in philanthropic initiatives; they also provided me with both unpublished and published material of great interest.

The main matters of interest I wished to cover in the study tour were to:

1. explore the experiences of other Trusts and Foundations with multi-year granting;
2. explore the experiences of other Trusts and Foundations in respect of selecting major projects and monitoring outcomes; and
3. determine whether any data included in grant applications or generated by projects are collected and contributed to social indicator data collections which are in the public domain.

These matters of interest are described in more detail in Attachment 1 which includes my definitions of multi-year granting and major projects.

Other matters of interest which were explored in various degrees of depth included:

- networking with like Trusts and Foundations;
- frequency and type of trustee grant meetings;
- dissemination of findings to interested parties; and
- administration costs.

B. Trusts and Foundations visited

The 13 Charitable Trusts and Foundations which I visited were:

Allen Lane Foundation: York, UK

Baring Foundation: London, UK

Bernard Van Leer Foundation: The Hague, The Netherlands

Bertelsmann Foundation: Gütersloh, Germany

City Parochial Foundation: London, UK

Compagnia di San Paolo: Turin, Italy

Esmée Fairbairn Foundation: London, UK

Joseph Rowntree Charitable Trust: York, UK

King Boudewijn Foundation: Brussels, Belgium

Millfield House Foundation: Newcastle, UK

Northern Rock Foundation: Newcastle, UK

Nuffield Foundation: London, UK

Van Leer Group Foundation: Amstelveen, The Netherlands

C. Purpose of this report

This report is a very brief summary of my main observations on the matters of interest referred to above. The report is not a substitute for reading in greater detail about any of the organisations from their excellent web sites. Such a reading will show that they vary as to whether or not they are an “endowed” Foundation; as to the sources of the money they use to fund their work and the grants they give; the amount of money they have to use each year; the number and profile of the staff and external agents they employ to carry out their work; their age; their purposes; and whether or not they accept unsolicited applications. I hope that my report provides an insight into some of the aims and practices of the Foundations I visited, the depth of which is not always apparent from their published information.

On my return from the study tour, after reading *Foundations: Creating Impact in a Globalised World* by Luc Tayart de Borms¹, Managing Director of the King Boudewijn Foundation and Julia Unwin’s *Grantmaking Tango: Issues for Funders*², I felt like saying don’t read my report, just read those two books and you will know all that you need to know in order to make good decisions about operating a charitable Foundation. However, if I had not had the opportunity to speak directly with Luc and the other CEOs and Foundation staff and to gain an insight into what they do and why and how they do it, those two books would not have had the same impact.

The study tour has led me to develop some ideas about changes which could be made to the way that the Ross Trust does its work. These ideas are being developed into proposals for consideration by the Ross Trustees and do not form part of this report.

¹ Luc Tayart de Borms, *Foundations: Creating Impact in a Globalised World*, John Wiley & Sons Ltd, London, 2003 ISBN 0-470-01505-5

² Julia Unwin, *Grantmaking Tango: Issues for Funders*, The Baring Foundation, London, 2004 ISBN 0-9538040-3-8 (the book can be downloaded from the Foundation’s website www.baringfoundation.org.uk)

D. Structure of this report

The report is structured somewhat differently from the matters of interest referred to above. Multi-year granting, Public domain data, Networking, Frequency and type of trustee grant meetings and Administration costs have their own sections: Factors relevant to the selection and monitoring of projects and the dissemination of findings to interested parties are covered in a number of sections.

E. Some Key Findings in Brief

- Identifying the (community benefit) impact that a Foundation wants to have is a very effective approach to deciding what a Foundation should do and how it should go about it.
- It is vital to have a clear view of the desired impact, aims, priorities, objectives, purposes etc of a Foundation in order for the Foundation to make well-based decisions about what it will support and undertake.
- An iterative process between “Board” and “chief executive” to decide the type of impact, aims, priorities, objectives, purposes, modes of working etc, was regarded as being very effective.
- The Bertelsmann Foundation does not accept applications. However, most Foundations consider it to be important to do so in order to be “reactive” or “responsive” while at the same time they want to be “proactive” also, although these three terms are defined in different ways:
 - o the division of a Foundation’s activities between responding to applications and undertaking other “proactive” activities is a function of the size and aims, priorities, purposes etc of a Foundation;
 - o one of the larger Foundations allocates its funds among four main Program areas: within each area its Committee is free to allocate 10-15% and the remainder is allocated 54-51% as responsive to grant applications and 36-34% to value added work such as seminars, policy advocacy – the 36-34% includes Foundation Program staff salaries; and
 - o another larger Foundation allocates 25% to administration and Program staff costs and of the remaining 75%, 95% (ie 71.25% of total funds) is disbursed and 5% (ie 3.75% of total funds) is spent on other value added work.
- Most of the Foundations regarded it as important to review performance against the Foundation’s objectives annually and many considered it important to engage in wider and deeper assessments of impact, aims, purposes etc, periodically at 3 to 5 year intervals. Some Foundations commission external “reviewers” for this purpose – size of the Foundation’s annual expenditure on grants and project costs and size of staff are two of the determinants as to whether external commissioning is done.
- Some Foundations have very sophisticated methods of strategic and operational review and planning.
- The Trustees of many Foundations undertake site visits.
- Very few Foundations give grants for 12 months only – usually only if that is what the recipient wants or if it is the first, test year of what is likely to be a longer period of granting.
- Most Foundations grant for a minimum of three years and usually on some type of rolling basis.
- Even though grants are for three year periods, the total duration of the Foundation’s granting is often for 10 to 15 years and some for much longer.
- The provision of grant money for the core operating costs of an applicant organisation, including salaries and other infrastructure, is considered to be very important if the aim of Foundations is to support and strengthen community organisations to carry out their work; grant funding for a specific project to be undertaken by an applicant organisations is not preferred unless the project has been initiated by or in collaboration with the Foundation.

F. Multi-year granting

I Approaches taken

- In granting for a minimum of three years, Foundations usually grant on some type of rolling basis:
 - o Some review in year three to decide whether to continue for a further three years and on what basis [like the Ross Trust emergency relief and material aid program and the Early Years project with the Centre for Community Child Health].
 - o Some review in year three and automatically invite the recipient to submit a proposal outlining its plans and request for grant funds for the next three years.
 - o Some review in year three and then review/monitor annually with the understanding that grant funding will continue as long as objectives and performance continue to satisfy the Foundation [similar to the Ross Trust Fellowship Program, Ross Trust Playwrights' Script Development Awards, Small Grants for Small Rural Communities Program (with Foundation for Rural and Regional Renewal)].
- The question of the length of the granting period was summed up by one very experienced Chief Executive Officer whose view is that the number of years you support a project with grants depends on the extent to which the Foundation wants to respond to the real underlying issues and the impact it wants to have rather than just the results of its period of funding.
- Some Foundations regard the issue of dependency of an organisation on a Foundation's grant funding over several years to be a red herring issue in that dependency is not inappropriate if an organisation is:
 - o in an area of priority for the Foundation and is fulfilling a need or gap which is always likely to exist, eg, poverty and homelessness; and
 - o continues to perform effectively; and
 - o is not consuming too high a proportion of the Foundation's annual funds for distribution such that ongoing Foundation grant commitments "crowd out" the possibility of new grant recipients.
- One Foundation allocates about 66% of its grant funds to currently grant funded organisations and the remainder to new grantees.
- Some Foundations see it as their role to assist organisations which it has grant funded over extended periods to diversify its sources of support; and some Foundations provide for exit strategies that may include gradually reducing the annual amount of the grant as well as assisting the organisation to source funds from elsewhere.

II Financial management

- The larger Foundations in the UK and Europe employed sophisticated methods of managing their forward financial commitments.
- Two legal aspects which have an impact on those Foundations and necessitate the level of sophistication but which do not have an impact on the Ross Trust are:
 - o a requirement to account for future year grant approvals as liabilities in the year the approval is given [the same as Ross Trust practice before, on the advice of its External Auditors, it adopted Australian Accounting Standard AASB 1044; as grants can be varied or terminated prior to payment they are not an obligation which the Trust has no realistic alternative but to settle];
 - o a capacity to disburse capital as well as income: this is a topic in itself and I will write something about this in a separate report.

H. Value added work:

- Value added is a term that is used to refer to work undertaken by Foundation staff and comprises such activities as:
 - o Actively assisting organisations to develop their proposals for grant funding;
 - o Employing a “project” officer and placing them to work in a particular geographic area;
 - o Actively monitoring the grant funded organisation’s performance of the work which was funded;
 - o Assisting the grant funded organisation to link with organisations undertaking similar work and with other potential funders and potential sources of assistance, including governments and businesses;
 - o Working with the grant funded organisation to actively disseminate the findings of the work, including through publications, web site development, seminars, workshops;
 - o Actively seeking to promote the findings of the work as a basis for changing policies, systems, programs, services etc;
 - o Taking the work singly or severally with other funded work and adding another level of analysis in order to contribute to wider discussion and consideration by opinion and decision makers;
 - o Convening discussions, seminars etc among organisations, including government organisations, which share an interest in an area of policy or work but which hold varying points of view and which welcome the opportunity to meet together in an independent and if necessary confidential “space”;
 - o Initiating, leading and participating in small groups of Foundations and sometimes other funders and policy and decision-makers, to devise and implement programs and projects to which all members of the group contribute in some way;
 - o Establishing legally separate organisations to carry out particular types of work which may not be appropriate for a Foundation but where there is a gap and need.
- The extent to which Foundations engaged in value added work depended on their aims, priorities etc, on their size, on their willingness to doing this type of work and on whether they did this work in an ad hoc or deliberate way.
- Some Foundations have changed the balance of the type of work their staff do - from a concentration on the input side, that is, before a funding allocation decision is made, to the output side, that is, a greater concentration on working to achieve outcomes and impact from the Foundation’s money. In some cases, this change has led to the Foundation changing the profile of staff skills and experiences.
- Some Foundations have increased the number of their staff in order to undertake more and better directed value added work;
- Other Foundations, which previously undertook a high proportion of project work in-house have reduced their staff numbers as a consequence of granting more to external partners and of having their staff concentrate on value added rather than hands-on project work.

I. Changes over time:

- Some Foundations are strongly focused on the impact their funding has on particular aspects of social, environmental and/or economic life and they work with and grant funds to community organisations to achieve their desired impacts. Other Foundations have a very strong focus on supporting or strengthening community organisations on the basis that it is the role of the latter to achieve the impacts.
- It seems a common experience of both types of Foundations that over time they go through similar stages of change that involve periodic reviews of practice which result in refinement of objectives and methods of work.
- Many having started out making small one year grants in an undifferentiated way in a wide range of areas. From this start they move to making grants in a more focused or targeted way and sometimes for longer than one year. From here they start to make fewer but larger grants with a strong emphasis on outcomes against particular objectives and over longer periods of time. This leads on to initiating projects and/or providing grants for core costs and infrastructure support over much longer multi-year periods and to deliberately undertaking policy-related work, networking etc.
- As time proceeds, particularly for those with a strong Foundation impact approach, the amount of time they spend on value added work increases and they undertake work of a policy-influencing type in a much more deliberate way. These changes mean that the amount of Foundation money distributed as unsolicited grants decreases and the amounts distributed to major initiatives and core support and on Foundation staff increases.

J. Administration costs:

- There were different approaches but all shared the view that staff costs are higher if a Foundation wants to have:
 - o good assessment of applications;
 - o sufficient monitoring, reporting and evaluation of grants/recipients to be assured that good grant choices have been made and grant conditions met;
 - o dissemination of grant funded outcomes; and
 - o well-based choices of Foundation-initiated projects, programs and activities, including value added activities.
- Few Foundations set specific limits or targets for ratios of administration costs to funds disbursement:
 - o most are conscious of managing expenditure so that it is appropriate to a charitable body;
 - o some have looked closely at what constitutes “administration” as distinct from those activities which directly support the quality and volume of fund disbursement decisions;
 - o some regard administration as applying only to costs attributable to premises, IT, financial accounting and auditing, investment management, and staff activities which are not directly involved in grant research, decision-making, post grant reporting and value added work.
 - o one Foundation I visited does have an upper limit of 25% on administration but this includes the cost of Foundation Program staff directly involved in grant research, decision-making, post grant reporting and value added work.

I Public Domain Data

- This is a very short section. I did not discover any examples of data included in grant applications or generated by projects which are collected and contributed to social indicator data collections which are in the public domain. However, as can be deduced from many of the points recorded earlier in this report, a number of Foundations use the data they collect and generate to contribute to public policy discussions and to attempt to influence public policy and programs.

J Networking with like Trusts and Foundations

- Individual countries have their own membership Associations to which most Foundations belong. Some Foundations are active in Association activities, including their special interest groups.

- Some Foundations, including some in the United Kingdom, are also members of the European Foundation Centre (EFC) which describes itself as:

“A community of informed, inspired, committed, independent funders engaged in seeking solutions to challenges facing humanity in Europe and Internationally a knowledge-based membership association dedicated to strengthening organised philanthropy, which is embedded in and supports civil society, in Europe and internationally. The EFC helps nurture efforts aimed at supporting independent, accountable and sustainable funders throughout the New Europe, particularly when this fundamental human right to associate private capital for public benefit needs fostering.”

“Our core work is representing independent funders at European Union and global levels and providing our members with critical legal and fiscal guidance and knowledge.”

- Some members of the EFC have formed The Network of European Foundations (NEF) which describes itself as:

“a compact and flexible not-for-profit international organisation whose mission is (a) to act as an operational platform to develop projects between foundations and other types of organised philanthropy and other giving programmes; (b) to develop programs related to Europe and the role of Europe on the global stage; and (c) to give a European perspective and opportunities for European experience to regional/local initiatives. NEF was created so as to strengthen the potential for cooperation between foundations at European level. NEF provides its members with the ability to identify common goals and, as an open structure, to join forces with other foundations in Europe which may share similar concerns and objectives.”

“Each project proposal presented to NEF is analysed to identify the justification for NEF engagement, and its specific added value and potential transnational impact. One foundation must agree to take the lead in the mounting of a joint project and this foundation would thus normally act as chair to the specific project steering group which would then be set up.

The leadership of an initiative or project is not confined to the 'core' NEF group, and is open to any foundation, provided the overall arrangements are approved by the NEF General Assembly (and that at least one NEF foundation supports it). Monitoring of the process of cooperation developed between the partnered foundations will form an integral part of the project design, so that foundations are able to learn from experience of transnational cooperation.

The General Assembly is responsible for deciding the strategy for phasing out projects. NEF will assist actively in the process of identifying alternative new sources of support so as to sustain the dynamic of projects after their completion under the auspices of NEF.”

- Further information about both the European Foundation Centre (www.efc.be) and The Network of European Foundations (www.nefic.org) is available for their web sites.

K Frequency and type of trustee grant meetings

- Foundations differ considerably in the frequency and type of Trustee or Board meetings. For some, meetings are made more difficult because Board members are resident in various parts of the country and in some cases in other countries also.

Aims: Summary

1. To explore the experiences of other Trusts and Foundations with multi-year grantingⁱ;
2. To explore the experiences of other Trusts and Foundations in respect of selecting majorⁱⁱ projects; and
3. To determine whether any data included in grant applications or generated by projects are collected and contributed to social indicator data collections which are in the public domain.

Aims: Details

1. To explore the experiences of other Trusts and Foundations with multi-year granting with a view to:
 - a. understanding:
 - i the capacity of the Trusts and Foundations to estimate their net total funds likely to be available each year over a sufficient number of years into the future so that they can plan confidently for multi-year granting;
 - ii the implications of multi-year granting for the flexibility of Trusts and Foundations to respond to changing needs within their communities and of their “client” organisations and the development of new “client” organisations (for example, does it limit flexibility in undesirable ways);
 - iii the authority they have to undertake multi-year granting, including whether it has and/or needs to have a basis in law;
 - iv the extent to which multi-year granting places a legal obligation on Trusts and Foundations to make the grants and provide the funds that have been promised (that is, that the financial commitment is a formal financial liability on the Trust or Foundation); and
 - b. proposing any desirable changes to Australian laws, for example, *Trustees Act (Victoria) 1958*, affecting the capacity and liability of charitable trusts to approve grants each year over a number of years.
2. To explore the experiences of other Trusts and Foundations in respect of selecting major projects to support with significant amounts of grant funds and other forms of assistance, with a view to understanding:
 - a. the basis on which or the methods by which the Trusts and Foundations select these projects;
 - b. the extent to which the Trusts and Foundations are engaged actively in the projects which are selected and any impediments or barriers they experience in such active engagement;
 - c. the level of satisfaction of the Trusts and Foundations with the outcomes of their major project selections, the types of proactive selection methods they use and the level of risk of project failure they are prepared to accept;
 - d. the extent to which the Trusts and Foundations enter into partnerships with each other to initiate and support major projects and the characteristics;ⁱⁱⁱ of these partnerships and
 - e. the balance of staff effort and financial resources expended by the Trusts and Foundations on this style of working compared with that expended on the more traditional method of consideration of unsolicited grant applications.
3. To determine whether the data included in grant applications made to Trusts and Foundations or data generated by projects which have received grant funding from Trusts and Foundations are collected in any systematic way and contributed to local, regional or national published social indicator data collections.

Trusts and Foundations to be visited

At this planning stage I envisage visiting the United Kingdom and some countries in Europe but not the USA or countries in South America; Canada is a possibility. The main reasons for this are that:

1. The size of Trusts and Foundations in the UK and Europe are more comparable to those in Australia than the USA where they are generally too large and often global in their reach.
2. The role of governments in the UK, Europe and Canada are more comparable to those in Australia and consequently the issues facing and the activities engaged in by Trusts and Foundations tend to be more comparable to those in Australia whereas in the USA, Trusts and Foundations often fill the gap left by governments and provide the services that governments in Australia, UK and Europe provide.
3. The laws affecting charities in Canada are similar to those in Australia and the work of some Foundations is quite innovative.
4. The study tour is for four weeks only, including travel time.

Timing for the Study Tour: At this planning stage I envisage the Tour being undertaken in March 2006.

ⁱ Multi-year granting is assumed to take two main forms:

- making commitments to provide an organisation with a series of annual grants of specified amounts for a specified number of years; or
- making a commitment to grant to an organisation a total amount over a specified period of years, the annual amount to vary as required by the organisation in amounts that may not be predictable in advance.

ⁱⁱ Major projects in this context are defined as aiming to achieve a substantial result of some kind, such as systemic or structural change in social policies or programs, a geographically or demographically widespread impact, and being carried out over at least two years at a relatively high cost compared to projects with more modest aims.

ⁱⁱⁱ Characteristics to be considered include:

- whether they are “real” partnerships or merely two Trusts or Foundations sharing the contribution of project funds in bilateral arrangements with the project;
- how they are initiated;
- what they comprise;

whether they are formalised, for example, through an exchange of letters, legal agreement, memorandum of understanding.