

Foundations in the United Kingdom

There are about 8,800 independent grant-making foundations in the UK. Their total giving is around €2.2 billion, about half of which is given by the largest 300 foundations. The largest UK foundations are the Wellcome Trust (actually the world's largest, specialising in medical research), the Sainsbury Family Charitable Trusts, and the Wolfson, Garfield Weston, Esmée Fairbairn, and Lloyds TSB Foundations. Others known internationally include the Leverhulme Trust (with a large scientific programme), the Nuffield Foundation, the Joseph Rowntree Foundation (which specialises in social research) and the separate Joseph Rowntree Charitable Trust (whose programmes focus on peace and international relations), and the Diana Princess of Wales Memorial Fund. Of special note here is the Anglo-German Foundation for the Study of Industrial Society.

Over 85 percent of foundations have a capital endowment, originally given by wealthy individuals, families or companies. There are some company foundations, a small but growing network of community foundations, and a few large givers who are funded by annual extravaganza media appeals such as BBC Children in Need and Comic Relief. As can be seen, most foundations are operationally small, with only the largest 500 employing any professional staff.

The creation of the UK's National Lottery in 1992 brought unto existence several other large grant-making bodies. Of these, only the 'Community Fund' - Europe's largest generalist grant-making organisation - is substantially independent of government control. Some medical research charities also give grants on a significant scale, notably the two largest cancer research bodies and international aid charities such as Oxfam and Save the Children Fund.

A survey based on 1996 figures showed that foundations have the following main subject interests:

	Proportion of grants	Proportion of total grant expenditure
Social care	36%	25%
Health	11%	19%
Education	13%	17%
Arts/culture/recreation	12%	10%
Religious activities	9%	8%
Development/housing	5%	5%
Environment/animals	3%	3%
Non-profit sector support	2%	3%
Science and technology	1%	3%
Civil society/law and advocacy	3%	3%
International	2%	2%
Social science	1%	2%

The figures also showed that about one-third of foundations' spending across the various categories benefits children and young people in some way.

There are significant regional variations. About half the UK's foundations are based in London or the surrounding South East region. Although there are clusters elsewhere (eg

Merseyside, the North East, Scotland), virtually the only foundation presence in some regions is through a few 'nationals' with regional offices. Overall giving shows a bias to the London region, which has some justification in the Capital's high level of need. Many small foundations are restricted to local giving.

Foundations operate in the context of the UK's rich and active charitable or voluntary sector, whose income (foundations excluded) is around €22 billion, of which about 7 per cent is provided by foundations. (Apparent foundation spending expenditure of 10 per cent includes funds given outside the UK and to universities, which in contrast to some other countries are traditionally viewed as part of state provision and not counted in non-profit sector statistics.)

The voluntary sector also receives significant state funding, through central and local government grants and contracts to provide public services. Comparison with full national spending on education and health places foundation spending at about one-hundredth of government's. Foundations are thus cast firmly with important minority roles in the funding scene – as promoters of change and experimentation, as funders of especially disadvantaged groups and research, and as supporters of causes which are lesser known, unpopular with the public, or not appropriate for government support.

Support arrangements

The Association of Charitable Foundations (www.acf.org.uk) was formed in 1989. It has 6 staff and 300 members, who represent about half of total UK foundation giving. Its work is similar to that of the Bundesverband Deutscher Stiftungen, covering policy and good practice and including a significant programme of seminars and other events. Although it has a small public promotion role, ACF does not publish the main UK directories of foundations, which are compiled by an independent body with the peculiar name of 'Directory of Social Change' (www.dsc.org.uk)

Legal arrangements

Grant-making trusts and foundations are regulated under general laws that apply to all charities. There is no special legal definition of the term 'foundation'. Most foundations have a simple legal structure – that of a trust, with a governing board of trustees who are responsible for the foundation's affairs. The trustees carry this responsibility independently of any external organisation (such as a connected company) that may have appointed some or all of them. There is a procedure by which foundations can gain legal personality, but this is little used. Foundations can also use other legal forms that are available to charities generally. Although these forms may give both legal personality and limitation of liability, most foundations take the view that these protections (and the complexity they bring) are unnecessary for organisations that do not engage in conventional commercial activity.

In England and Wales, all must be registered with the Charity Commission, a semi-independent government body. 190,000 charities are registered, of which grant-making foundations comprise 4 per cent numerically and 6 per cent by income. Grant-making charities (including foundations) are regarded as independently governed public bodies with a duty of transparency. Under new accounting and reporting regulations for charities that came into effect in 1996, they are required to publish information about

their grants and policies, including the names of at least the largest 50 recipient organisations. Despite initial reluctance, nearly all have complied.

There are regulations on many other matters. Those on political activity are widely seen as a protection for the right of charities to make independent statements in the political arena, provided that these are free of party politics and are based on proper research or the experience of users.

The UK has four 'nations' and is going through a process of devolution of government. In Scotland and Northern Ireland, registration is handled, rather unsatisfactorily, by the tax authorities. Reforms of Scottish charity law are imminent.

Financial and fiscal arrangements

The UK has a very favourable tax system for charities, including foundations. They are exempt from many taxes, except for 20 per cent of local taxes, most aspects of Value Added Tax, and Corporation Tax on investment income from company dividends (where relief is being progressively recently withdrawn on wider fiscal policy grounds).

After reforms in 1999, charities can now reclaim the basic Income Tax previously paid by a donor, irrespective of the size of donation. Specific changes were helpful to the establishment of new foundations. Donors can now claim Income Tax relief on gifts of company shares, and on higher rates of tax paid on all gifts, and an extra rebate is given on regular gifts made via a company payroll (which may include a director's fee). General trustee law was reformed in 2000, liberalising investment and other financial powers for charitable and private trusts.

The future of philanthropy

There is growing interest on the part of the 'newly wealthy' in charitable giving; the climate is changing, and ACF has launched a project to promote new philanthropy. Previous growth in creation of foundations in the UK had peak periods in the 1930s, 1960s and 1970s. Despite the new instability of world events, it is hoped that the creation of a new generation of foundations can be stimulated.

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