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research article

How transparent are charitable foundations? A large-scale comparison of transparency levels in grant-making trusts and foundations in England and Wales

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Debate on the role of charitable grant-making foundations often references concerns about their lack of transparency. There has, however, been limited empirical investigation of foundation transparency levels. In this study, we report the largest-ever investigation of transparency among grant-making foundations in England and Wales. Based on a novel dataset, which captures the level of grant-specific data published by more than 2,200 foundations over five years from 2014 to 2018 (inclusive), we find that: (a) overall, these foundations are transparent in their disclosure of grant-specific data; (b) the results also paint a picture of stability – of those foundations with published trustees' annual reports and accounts in all five years of this study, 78 per cent had the same disclosure practice throughout; and (c) a specific regulatory change mandating grant-specific disclosure has not substantially increased levels of disclosure. This study therefore provides detailed evidence that contributes to and expands the conversation on English and Welsh foundation transparency.

Key words foundations • transparency • accountability • regulation

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Introduction

There is no legal definition of grant-making trusts and foundations in England and Wales. As in other countries, the term 'foundation' acts more as a group identifier ([Williamson and Luke, 2021](#)), and is widely used as a descriptor denoting an organisation established to make grants for charitable purposes ([Sargeant and](#)

Jay, 2014). In the United Kingdom (UK), the terms ‘foundation’ and ‘trust’ are increasingly used interchangeably to mean charities whose main activity is grant making (Pharoah and Walker, 2019), although legally these terms refer to different organisational forms (see Dunn, 2014; Jung, 2018). In addition, grant-making foundations are seen to differ from other grant-making charities in that they do not engage in large-scale fundraising – although community foundations do raise funds from a variety of sources (Daly, 2008).

Grant-making foundations occupy a complex and somewhat anomalous position within the English and Welsh charity sector. These organisations fund other, operational, charities through their grants, and they are not subject to the same pressures as other charities to raise money through fundraising or other income-generation activities. This means that, in practice, grant-making foundations are a distinct class of charity. Yet, they are also legally and practically a part of the sector (Dunn, 2014) and are subject to the same accountability and regulatory requirements as other charities.

The lack of a specific legal framework for grant-making foundations has contributed to concerns about their transparency and accountability. As Williamson and Luke (2019) note, at a time when private wealth and philanthropy are facing increased public accountability expectations, investigating the nature of foundation transparency and accountability is a continuing concern (Phillips, 2018). Such discussions have also gained renewed prominence in UK foundation discourse (Jung, 2018). For example, the director of the Friends Provident Foundation has stated that foundations in the UK ‘can lack standards of accountability or habits of transparency’ (in Whitehead, 2021), while sector organisation New Philanthropy Capital has argued that there is a need for ‘[g]reater transparency with regards to where grants are going’ (Yeowell, 2018: 5). The Department for Digital, Culture, Media and Sport similarly argued in 2022 that across civil society there is a need for ‘a much clearer understanding of “who is doing what and where”’ (DCMS, 2022).

This assumed lack of transparency among grant-making foundations has led to a number of initiatives within the sector to increase the understanding and practice of grant-making foundation transparency. Such initiatives include the Foundation Practice Rating, which seeks to assess foundations ‘on the key themes of accountability, transparency and diversity’ (Foundation Practice Rating, 2022), and the 360Giving initiative, which seeks to increase the level of openly published grants data (360Giving, 2022). As yet, however, there has been limited academic, empirical exploration of the extant levels of grant-specific data disclosure among the wider population of English and Welsh foundations. This study therefore explores whether English and Welsh grant-making foundations are transparent about their grant giving, by examining whether grant-making foundations itemise the grants they give (by recipient and amount) in their trustees’ annual reports and accounts. It also examines: (a) whether different kinds of foundations are more or less likely to be transparent in this way; and (b) the extent to which grant-specific disclosure practices have changed in recent years – in particular in response to changes in regulatory reporting requirements (specifically a shift in 2015 from a requirement that foundations ‘should’ disclose material grants, to a stipulation that they ‘must’ disclose such grants).

To answer this article’s research questions, we present findings from a large, novel dataset capturing the grant-specific disclosure practices of more than 2,200 English and Welsh foundations over a five-year period from 2014 to 2018 (inclusive).

We find that:

- The majority of English and Welsh grant-making foundations *do* disclose a substantial amount of grant-specific data. Overall, around half disclose data on all of the grants they make, and around a quarter publish data on grants over a certain value. However, this leaves around a quarter of foundations that publish no grant-specific data at all.
- The results also paint a picture of stability. Of those foundations with published trustees' annual reports and accounts in all five years of this study, 78 per cent had the same disclosure practice throughout.
- Accounting report format, foundation type and size are all somewhat associated with differences in disclosure levels. There is, however, limited evidence that the specific change in disclosure requirements in 2015, described earlier, increased levels of grant-specific disclosure.

The present research: background and context

This research study explores the grant-specific disclosure practices of English and Welsh grant-making foundations. To do this, we focus on these charities' disclosure practices within their trustees' annual reports and accounts. This section provides a brief history of the relevant regulatory accounting reporting requirements applicable to English and Welsh charities.

Until the late 1980s, charity accounting in England and Wales was very poor (Hyndman, 2018) and regulation of charity accounting was weak (Clerkin and Quinn, 2019: 237). However, in the late 1980s and early 1990s, concerns about mismanagement and fraud in charities led to substantial changes in charity regulation, principally reflected in the mandatory accounting requirements in the Charities Acts 1992/1993.

Since this time, charity accounting and reporting requirements have been outlined in the charities Statement of Recommended Practice (SORP). SORPs are developed 'in the public interest' to set out best financial reporting accounting practices for specialised sectors (Clerkin and Quinn, 2019: 236). As argued by Alsop and Morgan (2021: 227), the charities SORP 'aims to provide a robust reporting and accounting regime enabling charity annual reports and accounts to be a vehicle to discharge accountability to and communicate with the stakeholders' (see also Hyndman and McMahon, 2010; Connolly and Hyndman, 2013; Ryan et al, 2014; Yang et al, 2017).

Charity law states that all charities¹ must prepare a trustees annual report and a set of annual accounts, and make them available on request. All English and Welsh charitable incorporated organisations and charities with an income of more than £25,000 must file these annual reports and accounts with the regulator, the Charity Commission of England and Wales (CCEW). The format that the report and accounts must take depends on the income of the charity: non-company charities with an income of £250,000 or less can prepare 'Receipts and Payments' (R&P) accounts that are not bound by the SORP regulations. The CCEW does not mandate the content of R&P accounts, allowing charities the freedom to interpret the requirements (Morgan, 2010), although guidance on the preparation of R&P accounts does exist (Alsop and Morgan, 2021). All charitable companies, and charities with an income more than £250,000, must prepare and file accruals accounts that comply with the charity SORP (CCEW, 2016).

Since the first SORP in 1995, each SORP has referred to the disclosure of information about grant-making activities. These changes are summarised in [Table 1](#). Within SORP 2005 and FRS 102,² the information that should or must be disclosed includes the name of the institution in receipt of ‘material’ grants, and the total value of grants made to each institution in receipt of these grants (CCEW, 2015: 16.18). In common with standard accounting practice, the CCEW does not give a value for materiality, but states that ‘an item is material when its omission or misstatement could influence the economic decisions that users make on the basis of those accounts’ (CCEW, 2015: 3.2). The SORP does make for some limited exemptions to this rule, such that foundations are not required to make grant-specific disclosures during the lifetime of a foundation’s settlor (or their spouse or civil partner) (CCEW, 2015: 16.23–16.24). FRS 102 further notes that grant-specific disclosures can be provided in the trustees’ annual report, in the notes to the accounts or ‘by providing details of the charity’s webpage URL at which this information can be accessed’ (CCEW, 2015: 16.23–16.24). While the regulations therefore allow charities to publish this grant-specific data outside their trustees’ annual report and accounts, as outlined earlier, this study specifically focuses on transparency within trustees’ annual report and accounts, given these are widely seen as charities’ most reliable and important public documents.

What drives charity disclosure levels?

Breen (2013: 866) suggests that, by publishing a SORP, a regulator – in this case the CCEW – is aiming to improve the quality of charities’ financial reporting. As described

Table 1: Grant-specific disclosure requirements by accounting framework

Accounting framework	Applicable charities	Effective time period	Grant-specific disclosure requirements
SORP 2005	Charities with an income of £250,000 or more; all charitable companies	2005–14	‘If a charity has made grants to particular institutions that are material in the context of grantmaking, the charity <i>should</i> disclose details’, including the name of the institution and the total value of grants to that institution in the accounting year (CCEW, 2005: 206–7, emphasis added)
FRS 102 (Financial Reporting Standard)	As above	2015 onwards	Charities that make grants to institutions ‘ <i>must</i> also disclose details of a sufficient number of these institutional grants so that the user can develop an understanding of the range of institutions the charity has supported’ (CCEW, 2015: 16.17, emphasis added)
FRSSE 2015 (Financial Reporting Standard for Smaller Entities)	Charities that qualify as a small company or small group under the Companies Act 2006	2015	As above; only applicable for smaller charities and for one year
R&P	Non-charitable companies with an income of less than £250,000	Continuous	No specific disclosure requirements

in more detail in the next section, extant research into the link between regulation and information disclosure (for example, public benefit reporting) in England and Wales suggests that regulation is effective in increasing charity information disclosure levels, but that this is limited, with significant shortcomings demonstrated in terms of compliance with SORP regulations (Connolly et al, 2013; Morgan and Fletcher, 2013). This section briefly considers theoretical models as to why charities may or may not disclose information as part of their financial reporting, and considers how these may apply specifically to grant-making foundations' practice in the context of regulatory disclosure requirements.

Theorising levels of disclosure reporting by charities

This subsection considers two theoretical perspectives on the drivers of charity disclosure reporting: stakeholder theory and public interest theory. Grant-making foundations' status as a distinct class of charity, as described in this article's introduction, requires modification of these existing theoretical frameworks (Irvin and Kavvas, 2020). This subsection therefore also considers how these theories may be applied to grant-making foundations.

Grant-making foundations have long been criticised for being unaccountable (Anheier and Daly, 2007) due to their lack of external stakeholders. However, such arguments are a simplification. While independent and family foundations may only be accountable to their donor-led trustee boards, company foundations' responsibilities also incorporate the need to create a positive image for their associated company (Rey-Garcia et al, 2012). Community foundations face a 'dual challenge' (Harrow et al, 2016) of being both donor- and community-accountable. Further, all foundations are responsible to the CCEW. Finally, while there are no formal self-regulatory bodies for foundations, these organisations are – currently – operating in an environment of heightened attention on accountability and transparency, with membership bodies such as the Association of Charitable Foundations (ACF) attending particularly to issues of transparency. Foundations may also operate with a sense of responsibility to their constituents and beneficiaries, as well as with attention to the signalling and symbolic power of voluntary accountability (Williamson et al, 2017a).

Stakeholder theory has been widely used to explore issues of charity accountability and transparency (Dhanani and Connolly, 2012; Hyndman and McConville, 2016). As Dhanani and Connolly (2012) outline, the positive model of stakeholder theory – which is closely aligned with legitimacy theory (Chen and Roberts, 2010) – proposes that organisations require the support of their constituents, and that to gain this support, organisational management must 'legitimise' their activities (Roberts, 1991; Dhanani and Connolly, 2012; Hyndman and McConville, 2016). This may impact on what is reported (Hyndman and McConville, 2016), with organisations omitting information that is likely to be perceived negatively (Berthelot et al, 2003; Hyndman and McConville, 2016).

When applied to grant-making foundations, the positive stakeholder model suggests that foundation staff or trustees will seek to manage their disclosures so as to present their organisation in a positive light and legitimise their role. Yet, reputational concerns may mean that foundations do not wish to appear less transparent than their peers.

- Positive stakeholder theory therefore predicts that grant-making foundations will publish in line with regulatory requirements (so as to not appear less transparent than their peers), but will limit information flow by not making additional, voluntary disclosure.

Alternatively, the ethical model of stakeholder theory suggests that charity managers – in line with the ethical values of their organisations – would feel a moral responsibility to engage with stakeholders, including through being entirely transparent about their operations (Dhanani and Connolly, 2012; Hyndman and McConville, 2016). Within this framework, public discourse is characterised by ‘complete, truthful and objective’ transparency around information disclosure (Dhanani and Connolly, 2012: 1144).

- The ethical stakeholder model therefore predicts that grant-making foundations will disclose a high level of grant-specific data, irrespective of the regulatory requirement.

In considering the impact of regulation on practice, public interest theory argues that pressure from regulatory and public authorities is one of the main forces behind improved charity accountability and transparency (Ebrahim, 2010; Rey-Garcia et al, 2012; Cordery, 2013). Such theories therefore imply that charities may respond to regulatory efforts to improve transparency by increasing information disclosure levels. However, these theories also do not fully take account of the challenges of regulation. Regulation incurs costs for charities, and while larger charities may meet or even exceed reporting requirements (Hyndman and McDonnell, 2009; Cordery, 2013), smaller charities may find such reporting requirements burdensome.

- Public interest theory nevertheless predicts that grant-making foundations will respond to enhanced regulation by increasing information disclosure levels.

Literature review: extant empirical evidence on the relationship between regulation and charity disclosure levels

As mentioned earlier, extant research into the relationship between regulation and charity disclosure levels indicates that, while changes in regulation are linked to changes in charity practice, regulatory changes made with the intention of increasing disclosure levels have not been fully adopted by charities. In some cases, such changes have led to unintentional reductions in the level of information disclosed.

The majority of prior research focuses on charities as a whole, and does not examine the specific case of grant-making foundations. This section first considers research that explores the relationship between regulatory change and organisations in the broader charity sector, before discussing the limited extant research on the relationship between regulation and UK foundation practice.

When studying transparency practice within the charity sector, both Yetman and Yetman (2012) and Harris and Neely (2018) find that stronger regulatory frameworks are associated with, respectively, greater financial reporting accuracy and improved transparency. Yetman and Yetman (2012) find that charities are more accurate in their financial reporting when located in a state in the United States (US) with stronger charity regulation and enforcement, while Harris and Neely (2018) find that US

organisations subject to a public disclosure requirement are also more likely to be transparent. In addition, Cordery (2013) reports that in New Zealand, light-handed regulation has not achieved its aim of increasing transparency.

In the UK, a number of studies – such as by Connolly and Hyndman (2000; 2001) and Palmer et al (2001) – have specifically examined compliance with the SORP (Morgan and Fletcher, 2013; McDonnell and Rutherford, 2019). Since 2005, there has been an increasing focus in this work on the nature and extent of financial and narrative information disclosed by English and Welsh charities in their annual reports and reviews (Connolly and Hyndman, 2004; Connolly and Dhanani, 2006; Connolly et al, 2013; Morgan and Fletcher, 2013; Yasmin et al, 2014; Hyndman and McConville, 2016; Clerkin and Quinn, 2019; Dang and Owens, 2020).

Some of these studies have specifically considered the association between changes in regulatory requirements and the level of charities' information disclosure. Building on original work by Bird and Morgan-Jones (1981) and others (Ashford, 1989; Gambling et al, 1990; Hines and Jones, 1992), Connolly and Hyndman (2001) sought to understand the impact of SORP 2 (the revised SORP published in 1995) on charities' presentation of their annual reports. Based on analysis of the 1996/97 financial statements of 225 British and 132 Irish charities, this research found that British charities showed greater compliance with SORP 2 than Irish charities. The authors suggest that this is a result of a previous lack of research into charity accounting practices in Ireland, a lack of scrutiny and the absence of statutory backing: the governing instruments for charities in Ireland made no reference to the applicability of the SORP, unlike that of England and Wales (Connolly and Hyndman, 2001: 92). Among the British charities studied, this research provided some indication that charity accounts were demonstrating increasing compliance with SORP recommendations (Connolly and Hyndman, 2001).

Morgan and Fletcher (2013) investigated reforms linked to the Charities Act 2006, which led to a new requirement for public benefit reporting (PBR) in the trustees' annual report for every registered charity. In their investigation of 1,400 sets of charity reports and accounts published from 2008, these authors found substantial differences between charities in terms of their compliance with the PBR requirements, but that overall, only a minority of charities (11 per cent) met the full requirements of PBR. Morgan and Fletcher (2013) then expanded this quantitative analysis by conducting focus groups with 33 participants from 30 charities to understand whether charities had behaved differently as a result of the introduction of the PBR requirement. This research, the authors argue, reveals that while 'a mandatory system of PBR is achieving higher levels of charity accountability' (Morgan and Fletcher, 2013: 828), there are still significant shortcomings, with more education and enforcement needed to overcome them.

Connolly et al (2013) have explored the impact of changes made in SORP 2005 on the presentation of charity expenses. In a review of three years of accounts (2004/05, 2005/06 and 2008/09) of 154 of the 200 largest UK charities, they found that, subsequent to SORP 2005, charities did change their expense reporting practices. However, in their application of these changes, charities took advantage of changes in the SORP, which allowed these organisations to present more desirable charitable activity to support cost ratios, but did not provide the additional disclosures detailed by the SORP that aimed to improve transparency around cost allocations. The result of these changes, the authors conclude, is that charities have limited their financial

disclosures. Overall, Connolly et al (2013: 798) found that charities' 'disclosures [of support cost allocations] were poor, and often contravened the requirements and/or the spirit of the SORP'.

The literature considered here has explored the relationship between regulatory change and organisations in the broader charity sector. There is substantially less research that has specifically focused on grant-making foundations. Leat (2001) and Dunn (2014), however, both discussed UK grant-making foundations' response to legislative change.

Leat (2001) reviewed the impact of the Charities Act 1992 on UK foundations, and noted that prior to the Act, a 1989 White Paper recommended that regulation should be enacted that required charities to publish details of the grants they made. While the ACF publicly welcomed the proposal, according to Leat (2001: 133), many foundations viewed this as 'an unwarranted interference with their privacy'. Larger foundations also suggested that such a process was impractical, given the number of grants they made. In the event, the Charities Act 1992 did impose some requirements on foundations to list the grants they gave to organisations, marking a 'radical change in the requirements on foundations' (Leat, 2001: 134). Leat's research, however, did not assess the extent to which such regulatory changes actually led to a change in reporting practice among grant-making foundations.

Dunn (2014), in her consideration of foundation engagement and response to the build-up and passage of the Charities Act 2006, suggested that English and Welsh foundations were concerned about the 'burden placed upon them by the regulatory regime', and that they lobbied for a lighter regulatory regime for foundations under the Charities Act 2006 (Dunn, 2014: 62). Dunn's research again did not assess the relationship between regulation and practice, but highlighted how grant-making foundations may resist regulatory demands. Furthermore, Dunn's study again emphasised that the requirements for charities to publish their grant-specific data were a particular point of concern for foundations (Dunn, 2014: 64–5).

The present study seeks to inform and expand the discourse on foundation disclosure practices, by providing empirical evidence in response to the following four specific research questions:

- What level of grant-specific data do English and Welsh foundations disclose in their annual reports and accounts? Has this changed over the years 2014–18?
- Is there an association between reporting format, foundation type, asset size and grant-specific disclosure scores?
- Has the specific change in disclosure requirements between SORP 2005 and FRS 102 increased levels of grant-specific disclosure?

Methods

Determining the study population

Our population of interest is all foundations in England and Wales that make grants to organisations (excluding foundations that make grants only to individuals) and which have 'annual funds' of at least £25,000. We excluded foundations in Scotland and Northern Ireland because they operate under different regulators.³ We also excluded quasi-government foundations, and fundraising charities that also make grants.

While all charities in England and Wales with income over £5,000 must register with the CCEW, there is no separate registration classification for ‘foundation’. Identifying the population of foundations is therefore a complex undertaking (see Jung, 2018). Trusts and foundations can, for example, not be identified simply through keyword searches of the charity register. As Jung et al (2018: 896) note: ‘Organizational names and labels may be unreliable: few in academic and foundation worlds would consider the British Heart Foundation to be a “foundation,” yet the Henry Smith Charity ... would [be considered a foundation].’ Furthermore, while the CCEW charity register records whether an organisation gives grants, this includes all fundraising charities that may give grants to partner organisations. This includes a large number of fundraising grant makers (such as Comic Relief) as well as operational charities (such as Save the Children UK or Oxfam UK). These types of organisations are not part of the population of interest for this study. We therefore sourced our data through the Directory of Social Change (DSC), a national charity support organisation that provides the ‘core’ directory of grant makers (Sargeant and Jay, 2014).

The DSC estimates that there are approximately 8,000 trusts and foundations in the UK (England, Wales, Scotland and Northern Ireland) that give grants to other charities, causes or individuals (Traynor and Walker, 2015; Jung, 2018). In April 2019, the DSC listed 4,798 organisations in its regularly updated Trustfunding⁴ database, which it describes as comprising ‘all charitable trusts in the UK providing grants to voluntary sector groups’. This list of 4,798 organisations was reviewed to identify those foundations that met the criteria for inclusion in this study. After applying the exclusion criteria listed earlier, we identified an analysis sample of 2,227 grant-making foundations.

Data gathering and coding

For each of the 2,227 foundations, available annual reports and accounts for the financial years ending in 2014, 2015, 2016, 2017 and 2018 were reviewed. In total, 10,105 annual reports and accounts were examined. Data collection took place between October 2019 and April 2020.

The corresponding author (HA) assigned each report a disclosure score from 1 to 3, based on the following criteria:

- 1: No breakdown of grants data is disclosed in the annual report and accounts: data are only included as lump-sum amounts, or by broad category, or are not included at all.
- 2: Grants are listed by organisation and amount, but only for grants above a certain amount. The submitting charity defines this amount. While the cut-off amount as defined by foundations was often lower than £10,000, this figure rose to many millions of pounds in some cases.
- 3: All grants are listed by organisation and amount.

Examples of accounts data meeting each of these disclosure scores are provided in Figures 1, 2 and 3. Note that in many cases, information on grants breakdown was provided in other ways or in other parts of the trustees’ annual report and accounts. Figures 1–3 are therefore for illustrative purposes only.

Figure 1: Example of a trustees' annual report and accounts with a score of 1

5. CHARITABLE ACTIVITIES		
Grants to institutions	2017	2016
	£	£
	<u>18,985</u>	<u>71,852</u>

Figure 2: Example of a trustees' annual report and accounts with a score of 2

Review of activities	
The charitable trust was able to make donations of £140,140 during the year, due to there being a greater level of investment income received compared to 2017. This total included a number of individual donations of £2,000 or more:	
	£
Alzheimer's Research UK	10,000
Anglo Israel Association	5,500
Board of Deputies of British Jews	2,000
British ORT	2,150
Chai Cancer Care	4,000
Community Security Trust	6,000
Fight for Sight	4,500
Holocaust Educational Trust	2,000
Magen David Adom	6,000
Norwood	8,000
Sidney Sussex College	5,000
The Hall School Endowment Trust	60,000 (one off grant due to historic relation between Hall School and the Trust)
Western Marble Arch Synagogue	6,790
Youth Allyah Child Rescue	2,000

Figure 3: Example of a trustees' annual report and accounts with a score of 3

8	Grants payable	2018	2017
		£	£
	Grants to institutions (3 grants):		
	Holy Trinity Church	50,000	20,212
	Peel Beach Mission	22,000	12,000
	Charles Thompson Mission	-	12,000
	Pioneer People	13,000	-
		-----	-----
		85,000	44,212

After the completion of initial data collection, a random 2 per cent sample of the 10,105 trustees' annual report and accounts were coded by a second, independent rater. Agreement between the two raters was 91.5 per cent, with a kappa test result of 0.858 ($p < 0.001$), indicating a high degree of inter-rater reliability.

In addition to the disclosure score, the accounts format of each trustees' annual report and accounts was recorded. As described earlier, the required trustees' annual report and accounts format for each foundation is dependent on the year of reporting and the size of the organisation. Data were collected as to whether the trustees' annual report and accounts were submitted under SORP 2005, FRS 102/FRSSE 2015, R&P, another SORP or if the use of SORP or SORP type was not indicated.

We also recorded each foundation's total asset size as given in their most recent available trustee's annual report and accounts, as well as the type of each foundation. The study considered four different types of foundation, drawing on definitions from Leat (2016), the Council on Foundations (2018), Rey-Garcia et al (2012) and Anheier and Leat's (2006) insight that foundations must have the 'self-understanding' of being a foundation. The four foundation types considered were:

- *a family foundation* – a foundation whose funds initially derived from members of a single family, and for which at least one family member currently serves as a trustee;
- *a company foundation* – a foundation founded by a single firm, which obtains the majority of its income from the firm, and whose trustee board includes people from the firm;
- *a community foundation* – a foundation serving a geographically defined area, with a board that is substantially drawn from the local community;
- *an independent foundation* – other independently established (non-governmental) endowed foundations.

Table 2 provides descriptive statistics for these measures. The most common types of foundation were family and independent foundations. Community foundations were the least common. The modal asset size was between £1 million and £10 million.

Table 2: Characteristics of foundations (N = 2,213)

Foundation type	
Community	2.1%
Company	9.4%
Family	49.0%
Independent	39.4%
Assets	
Less than £100,000	9.1%
£100,000 to £999,999	17.9%
£1,000,000 to £9,999,999	49.8%
£10,000,000 to £99,999,999	20.4%
£100,000,000	2.8%

Findings

What level of grant-specific data do English and Welsh foundations disclose in their annual reports and accounts? Has this changed over the years 2014–18?

In the most recent reports for which we have data (2018), around a half of all foundations (52.6 per cent) received the highest possible disclosure score of 3, indicating that all grants made were listed by organisation and amount. Around a quarter of foundations (26.4 per cent) received a score of 2 (only larger grants were listed by organisation and amount). The remainder (21.0 per cent) received the lowest score (no specific breakdown of grants data was given).

Our analysis shows that this distribution of disclosure scores was largely stable across the five-year study period (see [Table 3](#)).

Is there an association between reporting format, foundation type, asset size and grant-specific disclosure scores?

We used multinomial logistic regression to model the effect of reporting format, foundation type and asset size on disclosure scores.⁵ The results of this analysis are given in [Table 4](#).⁶

[Table 4](#) reports the results of two models. The first (M1) predicted disclosure score from report format alone. These results suggested that, in all years, foundations reporting under R&P were more likely than those reporting under SORP to achieve low *and* high (rather than moderate) disclosure scores. They also showed that, after the introduction of FRS 102 in 2015, foundations reporting under this stricter standard were less likely to achieve low disclosure scores than foundations reporting under the more lenient SORP 2005 standard. However, the former were also less likely than the latter to achieve *high* disclosure scores. The difference between foundations reporting under SORP and FRS 102 also became less robust from 2016 onwards (see below).

The second model (M2) added foundation type and asset size as covariates. These results showed, first, that differences in disclosure by reporting format were largely robust to adjustment for foundation type and size. It was not the case, for example, that foundations utilising R&P reports were more likely to achieve low disclosure scores entirely because they were smaller. Second, these results showed that small and community foundations were the most likely to achieve a low (rather than moderate) disclosure score, and the least likely to achieve a high score. [Table 3](#) also shows, however, that large and company foundations, while being less likely to achieve *low* disclosure scores, were also less likely to achieve the *highest* score. By contrast, independent foundations were more likely to both be highly disclosive *and* to disclose no grant-specific data at all.

Table 3: Disclosure score by year (%)

	2014	2015	2016	2017	2018
1	24.2	23.8	21.8	21.1	21.0
2	22.8	22.6	25.4	25.8	26.4
3	53.0	53.6	52.9	53.1	52.6
N	1,963	2,001	2,051	2,051	2,015

Table 4: Relative risk of low (1) and high (3) versus moderate (2) disclosure score by reporting format, foundation type and asset size

	2014		2015		2016		2017		2018	
	M1	M2	M1	M2	M1	M2	M1	M2	M1	M2
(1)										
Report format										
<i>FRS 102 / FRSSE 2015</i>	N/A	N/A	0.5	0.6	0.2	0.2	0.3	0.4	0.3	0.3
<i>R&P</i>	7.9	6.7	5.1	4.1	1.8	1.6	3.5	3.5	2.8	2.9
<i>SORP 2005/08 (REF)</i>	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	2.5	2.4	2.0	1.9	1.0	0.9	1.0	0.9	0.7	0.7
Foundation type										
<i>Community</i>	-	1.4	-	2.0	-	2.9	-	3.9	-	4.2
<i>Company</i>	-	0.4	-	0.4	-	0.3	-	0.4	-	0.6
<i>Family (REF)</i>	-	-	-	-	-	-	-	-	-	-
<i>Independent</i>	-	1.0	-	1.1	-	1.3	-	1.3	-	1.3
Asset size										
<i>Less than £100,000</i>	-	1.4	-	2.0	-	1.8	-	1.6	-	1.3
<i>£100,000 to £999,999</i>	-	1.0	-	1.1	-	0.9	-	0.9	-	0.8
<i>£1,000,000 to £9,999,999 (REF)</i>	-	-	-	-	-	-	-	-	-	-
<i>£10,000,000 to £99,999,999</i>	-	0.6	-	0.6	-	0.6	-	0.4	-	0.5
<i>£100,000,000 or more</i>	-	1.6	-	1.3	-	1.1	-	1.1	-	1.0
(2)	(Base outcome)									
(3)										
Report format										
<i>FRS 102 / FRSSE 2015</i>	N/A	N/A	0.7	0.8	0.7	0.7	0.8	0.8	0.9	1.0
<i>R&P</i>	3.5	3.9	2.1	2.3	2.0	2.5	2.5	3.1	3.2	4.0
<i>SORP 2005/08 (REF)</i>	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	2.0	1.9	1.7	1.6	1.7	1.7	0.9	1.0	1.8	2.0
Foundation type										
<i>Community</i>	-	0.4	-	0.5	-	0.5	-	0.6	-	0.7
<i>Company</i>	-	0.51	-	0.6	-	0.6	-	0.8	-	0.8
<i>Family (REF)</i>	-	-	-	-	-	-	-	-	-	-
<i>Independent</i>	-	1.1	-	1.2	-	1.2	-	1.3	-	1.4
Asset size										
<i>Less than £100,000</i>	-	0.6	-	0.6	-	0.5	-	0.5	-	0.4
<i>£100,000 to £999,999</i>	-	0.7	-	0.7	-	0.5	-	0.6	-	0.6
<i>£1,000,000 to £9,999,999 (REF)</i>	-	-	-	-	-	-	-	-	-	-
<i>£10,000,000 to £99,999,999</i>	-	0.6	-	0.6	-	0.6	-	0.6	-	0.6
<i>£100,000,000 or more</i>	-	0.6	-	0.7	-	0.6	-	0.6	-	0.6
N	1,951		1,991		2,044		2,045		2,011	

Has the specific change in disclosure requirements between SORP 2005 and FRS 102 increased levels of grant-specific disclosure?

How did foundations change their reporting formats from 2014 to 2018?

Figure 4 visualises the changing distribution of report types across the study period. This figure shows that 90 per cent of reports submitted before 1 January 2015 were submitted under SORP 2005, with around 5 per cent of foundations reporting under R&P, and another 5 per cent using another (non-standard) report type (such as an out-of-date or unspecified SORP format). For reports submitted in 2015, a small but substantial number of foundations had already moved to using the new FRS 102 standards. By 2016, the vast majority of foundations had moved to using FRS 102, with only around 10 per cent continuing to use SORP 2005. By 2018, 90 per cent of foundations were using the FRS 102 format, with only 2 per cent continuing to use SORP 2005/08. Overall, a very small proportion moved from submitting R&P accounts to accruals accounts (FRS 102); and an even smaller proportion of foundations moved from accruals accounts to R&P accounts, and this only occurred in 2015–16.

Did the shift in grant-specific disclosure requirements result in increasing grant-specific disclosure?

The figures provided in Table 2 suggest that, among foundations overall, there was very little change in disclosure levels between 2014 and 2018. This would suggest little to no effect of the large-scale movement from the (more lenient) SORP 2005 format to the (stricter) FRS 102 format. However, it is possible that the overall distributions reported in Table 2 conceal substantial changes in transparency *within* foundations over time. For example, overall distributional stability could be produced by improvements in disclosure among some foundations being counterbalanced by deteriorating disclosure among others.

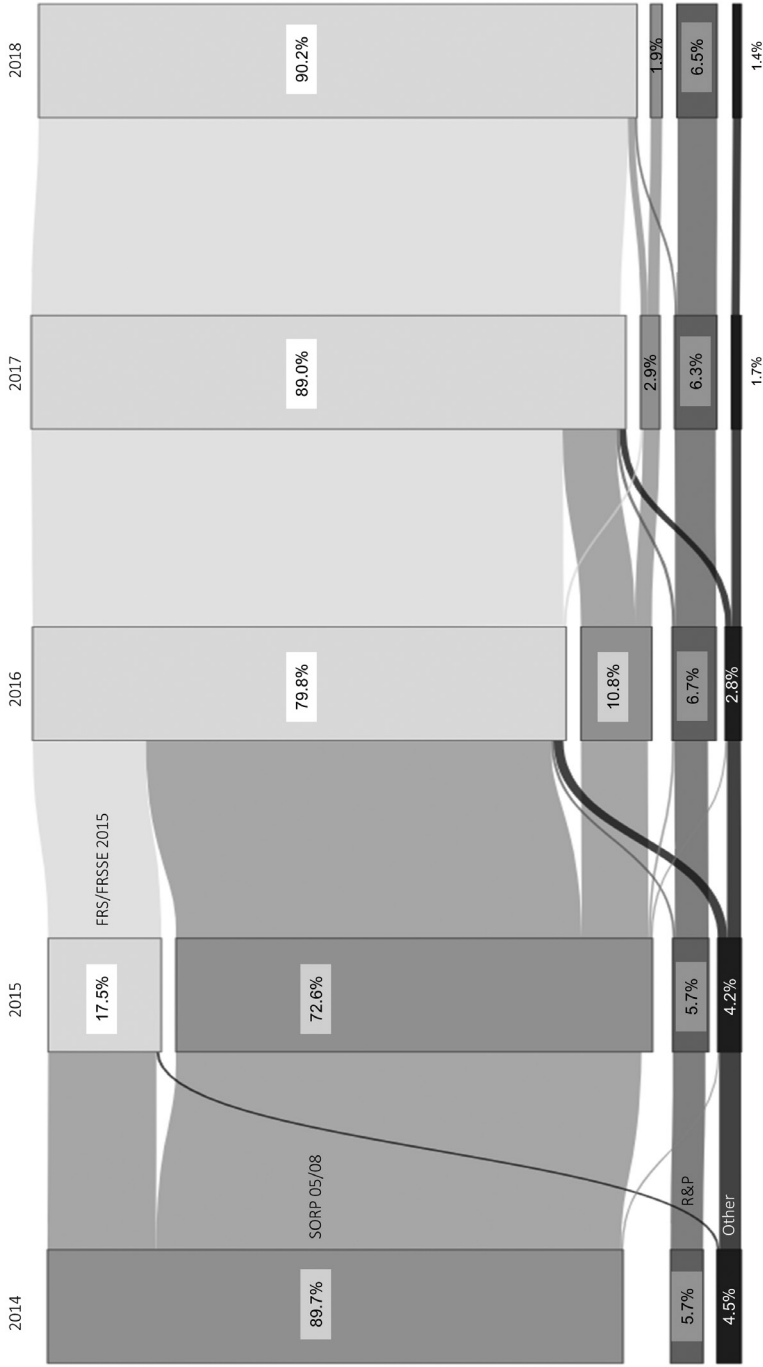
Figure 5 visualises changes in disclosure scores within foundations across the study period. The overall picture remains one of relative stability – of the 1,692 foundations with annual reports in all five years, 78 per cent of them had the same disclosure score throughout. However, this means that around a fifth of foundations did show an improvement or deterioration in disclosure scores during the study period. This offers some scope for the change in reporting formats to have driven improvements in grant-specific disclosure.

Table 5 breaks down year-on-year change in disclosure scores according to the reporting formats used in each year. We focus on three groups of foundations, which represent the vast majority present in the data: (a) those switching from using SORP 2005 in year n to FRS 102 in year $n+1$; (b) those using SORP 2005 in both years; and (c) those using R&P in both years.

Table 5 shows that, for each year-on-year transition, foundations that moved from using SORP 2005 to using FRS 102 were more likely to see an increase in their disclosure score than either (a) foundations that continued to use SORP 2005 or (b) foundations that used R&P in both years. They were also (with the exception of the 2015–16 transition) more likely to show *worsening* disclosure – although this effect was less marked.

Table 6 focuses on the relative and absolute difference in the probability of a year-on-year increase in disclosure score between (a) foundations switching from SORP

Figure 4: Sankey diagram illustrating the flow of foundations between report types over time



Note: Flows and nodes representing fewer than five foundations are not shown (percentages may not therefore sum to 100). 'Other' report types include unspecified, outdated or incorrect SORP formats, and reports in an unidentifiable format.

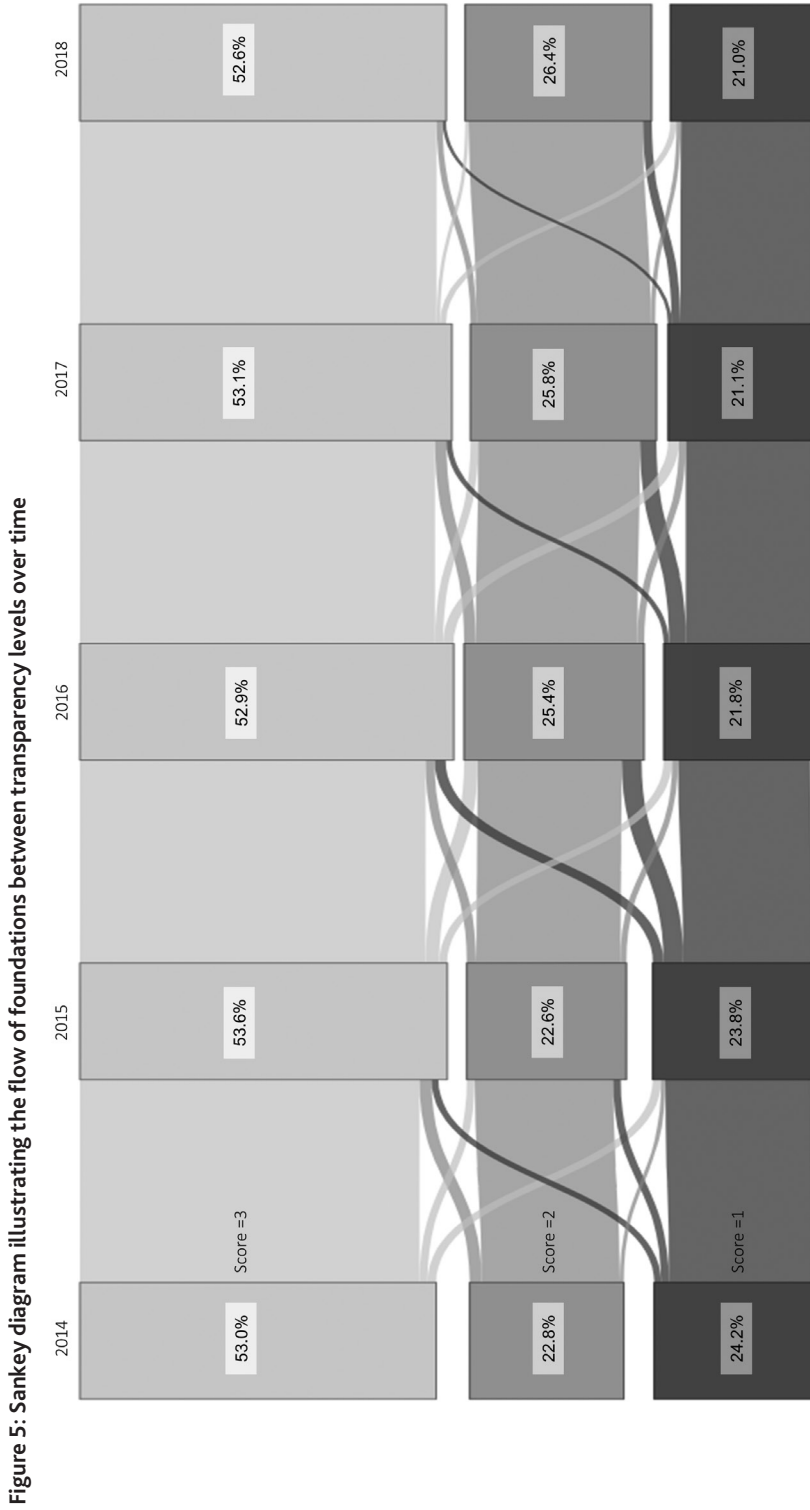


Table 5: Year-on-year change in disclosure scores, by change in report type

	2014–15	2015–16	2016–17	2017–18
SORP 2005/08 in both years				
% increased disclosure	2.6	3.1	2.0	0.0
% decreased disclosure	2.5	6.1	6.0	2.9
% no change in disclosure	94.9	90.8	92.0	97.1
SORP 2005/08 → FRS 102 / FRSE 2015				
% increased disclosure	9.1	6.4	5.7	9.5
% decreased disclosure	5.7	4.1	7.6	4.8
% no change in disclosure	85.2	89.5	86.7	85.7
R&P in both years				
% increased disclosure	5.2	5.1	0.0	3.4
% decreased disclosure	2.1	1.0	5.9	0.9
% no change in disclosure	92.7	93.9	94.1	95.8

Table 6: Difference in probability of year-on-year increase in disclosure score for foundations switching to FRS/FRSE compared with those continuing to use SORP

	Relative risk	Absolute difference (percentage point)
2014–15	3.5	6.5
2015–16	2.1	3.3
2016–17	2.9	3.7
2017–18	N/A (division by 0)	9.5

to FRS 102 and (b) foundations continuing to use SORP in both years. Relative differences appeared large. However, these differences were considerably smaller when considered in absolute terms. For 2015–16, 2016–17 and 2017–18 transitions, adding fewer than 10 ‘counterfactual’ foundations (foundations switching to FRS that *did not* show an increase in disclosure score) would eliminate these differences – suggesting that they were unlikely to be robust. The exception was the difference seen for the 2014–15 transition, which would require almost 100 such counterfactual observations to eliminate the differences – a much more robust finding. This was the first year in which FRS 102 was introduced, and relatively few foundations had switched to the new standard. Among these ‘early adopters’ the new standard did appear to increase grant-specific disclosure. However, in subsequent years, as the bulk of foundations transitioned to FRS 102, the evidence of an effect on disclosure was much weaker.

Discussion

By recording and analysing transparency levels in a large sample of grant-making foundations in England and Wales, this research has shown that the majority of foundations do disclose information about some or all of the grants they have made within their trustees’ annual reports and accounts. Over the five years from 2014 to 2018 (inclusive), between 53 per cent and 54 per cent of foundations disclosed,

for all grants, both the grant amount and the organisation awarded the grant. A further 23 per cent to 26 per cent of foundations disclosed such information for grants over a certain monetary threshold. Only a minority of foundations (21 per cent to 24 per cent) did not disclose any such information in their trustees' annual reports and accounts. The argument that foundations in the UK 'can lack standards of accountability or habits of transparency' (see [Whitehead, 2021](#)) is therefore not strongly supported by our findings.

Our findings are broadly consistent with the 'ethical stakeholder' model. As discussed earlier, this model predicts that grant-making foundations will disclose a high level of grant-specific data, irrespective of regulatory requirement. This clearly applies to the more than half of foundations that disclose *all* their grant-specific data. While we cannot assess whether such disclosure is 'complete, truthful and objective' ([Dhanani and Connolly, 2012: 1144](#)), it is nevertheless above and beyond what is required by the 'letter of the law'.

The ethical stakeholder model is also consistent with the high degree of stability we observed in grant-specific disclosure practices within foundations. Despite a clear change in the regulations around disclosure (from the SORP 2005 'should disclose' standard to the FRS 102 'must disclose' standard), and wider initiatives to improve foundation transparency (for example, the 'Stronger Foundations' initiative launched by the ACF), the vast majority (78 per cent) of foundations maintained consistent disclosure practices across all five years of the study. Our specific analysis of the effect of the introduction of FRS 102 also provided little evidence that this regulatory change had a substantial effect on disclosure practices: foundations moving from the SORP 2005 to the stricter FRS 102 reporting format *were* more likely to increase their level of grant-specific disclosure; however, these effects were small and unlikely to be robust.⁷

We did, however, find differences in disclosure practices between different types of foundations, and between foundations using different reporting formats within the same year. First, we found that the smallest foundations were the most likely to publish no grant-specific data at all (a disclosure score of '1' in our coding scheme), and the least likely to publish data on all grants made (a disclosure score of '3'). This is consistent with previous research on charitable foundations ([Saxton and Guo, 2011](#)). However, we also found that larger foundations, while being less likely to achieve low disclosure scores, were also less likely to achieve the highest score.

The latter result may simply arise because, for the largest foundations, a list of all grants made would be extremely long. The finding here that both large and company foundations are most likely to achieve a score of '2' (publication of grant-specific data for grants over a certain value) may also be the result of these organisations being most likely to have a professionalised staff that is aware of and able to meet changing accounting requirements. However, the positive stakeholder model also predicts this finding, arguing that foundations will publish in line with regulatory requirements, and will seek to not appear less transparent than their peers, but will limit information flow by not making additional, voluntary disclosure. Saxton et al ([2012](#)) similarly contend that larger organisations may be less motivated to disclose financial information, to reduce their exposure to media scrutiny. Meeting the regulatory requirements even of FRS 102 (scoring a '2' in this study) requires foundations only to publish their 'material' grants, with the level of materiality determined by the foundation itself. Those foundations scoring a '2' generally give no justification for their choice of the

cut-off value above which they publish the grants they have made. It may be that (at least a proportion of) charities scoring a '2' are focusing on legitimisation, rather than open disclosure. This accords with the findings of Hyndman and McConville (2016: 859), who find that, in the UK, levels of charity transparency may be due to an emphasis on 'legitimation rather than ... fully transparent reporting'. Further, qualitative research with these foundations to explore their decision-making process and disclosure rationale would add substantial value to this discussion.

Among the different foundation types, community foundations are the most likely to achieve a low (rather than moderate) disclosure score, and the least likely to achieve a high score. There are several potential explanations for this. Williamson et al (2017b) find that, in Australia, some foundation managers do not see transparency as a necessary component of overall accountability, and similar perceptions around grant-specific disclosures may apply among English and Welsh community foundation managers. Alternatively, these organisations may perceive their transparency and accountability needs as being met in other ways, such as through direct disclosure with donors and grantees, or engagement with efforts such as 360Giving, which seeks to help organisations openly publish their grants data online (360Giving, 2022). Again, further research would help with understanding the disclosure practices of this specific type of organisation.

With regards to accounting report format, this study finds that, in all years, foundations reporting under R&P were more likely than those reporting under SORP 2005 and FRS 102 to achieve low and high (rather than moderate) disclosure scores. While it is perhaps unsurprising that these foundations were less likely to score a '2' – as they are not subject to the relevant reporting requirements – it does again demonstrate that a proportion of foundations are undertaking voluntary disclosure. Furthermore, as shown in Table 5, with the exception of the year 2016–17, a small proportion of foundations submitting under R&P were increasing their disclosure levels (while in 2016–17 a similar proportion decreased their disclosure levels). These changes cannot be explained by regulatory change, although may have been influenced by the wider discussions around foundation transparency mentioned earlier, or, again, by a wish to not appear less transparent than their peers.

Finally, the findings show that foundations reporting under FRS 102 are less likely to achieve low disclosure scores than foundations reporting under the more lenient SORP 2005. However, these foundations are also less likely to achieve high disclosure scores. This may suggest that this regulatory change has – for some foundations – had the unintended consequence of reducing the overall level of grant-specific data published. Mandating the publication of some grant-specific data may have led some foundations to reduce their transparency, acting according to the specific requirements of FRS 102, rather than seeking to achieve more complete grant-specific data transparency.

Limitations

Our research was principally limited by the challenge of identifying all relevant foundations registered in England and Wales. This means that our analysis sample may not be entirely representative of our population of interest. This would materially affect our conclusions if foundations we did not analyse were substantively different in terms of disclosure levels. However, given that we sourced our data from the most

comprehensive list of grant-making trusts and foundations in the UK, a level of bias sufficient to disturb our main conclusions seems unlikely.

Our research was also limited by the necessity to manually code disclosure scores, introducing a certain degree of subjectivity. Our conclusions would be materially affected if we systematically under- or over-estimated disclosure levels either for all foundations or for specific foundation or report format types. However, clear scoring criteria and a high level of inter-rater reliability make systematic bias of this kind (as opposed to random noise) also unlikely.

The role of audit in forcing disclosure has not been considered within this article. In England and Wales, FRS 102 stated that an audit is required if a charity's gross annual income exceeds £500,000 or its gross assets exceed £3.26 million and gross income exceeds £250,000. Update 1 to FRS 102 (2016; also included in the second edition of FRS 102 published in 2019) increased this income threshold to £1,000,000. This audit process is seen as an essential oversight for management accounts. This research has not specifically addressed the role of auditors in encouraging disclosure, which may influence disclosure reporting by foundations. Future research to specifically examine the role of (different) auditors in encouraging disclosure would add value to this discussion.

Finally, as noted earlier, there is a caveat to our findings in that FRS 102 also allows foundations to publish grant-specific data on their website, if they provide a link to this data within their annual report. Analysis of a random sample of 120 of the 329 foundations that submitted under FRS 102 in 2018, and scored a '1' for disclosure, reveals that just five of these organisations stated that their grants were listed at a linked website. Only two of these organisations (1.7 per cent of the total) actually provided a list of grants on their website.

Conclusions

We believe that our conclusions about overall disclosure levels are likely to be robust to these limitations. Hence, we argue that our results contribute to and expand the debate on grant-specific disclosures for English and Welsh foundations. Overall, our findings demonstrate that disclosure levels may be higher than the concerns outlined in this article's introduction suggest.

This article further shows that the specific regulatory change made between SORP 2005 and FRS 102, which had the aim of improving grant-specific data transparency ([nfpSynergy, 2018](#)), was not robustly associated with a change in practice. Rather, foundation grant-specific transparency has remained largely stable over time. This may be because most foundations – even under SORP 2005 – were already publishing some or all of their grant-specific data. The new requirements under FRS 102 therefore did not require any change in practice for these foundations to be compliant. Those foundations not publishing grant-specific data under SORP 2005 were, as Connolly et al (2013: 798) have argued, contravening the spirit (if not the specific requirements) of the SORP. These foundations may therefore be less responsive to the very specific regulatory change studied here.

These findings have both academic and practical implications. The findings are broadly consistent with the ethical stakeholder model, with most foundations engaging in the voluntary disclosure of grant-specific data. Concerns about this specific aspect of foundation transparency are therefore not strongly supported by our findings.

However, findings also do not support the implications of public interest theory, that regulatory change will lead to increases in information disclosure. Rather, our findings suggest that foundations' information disclosure practices are resistant to regulatory change. This suggests that further effort is required to increase transparency levels among the substantial minority of foundations – between 21 per cent and 24 per cent – that do not publish any grant-specific information. This study therefore demonstrates to the regulator, policy makers and sector bodies that attempts to improve foundation practice may require more substantive efforts than the minor (and generally unenforced) policy change studied here.

Notes

- ¹ Apart from either exempt charities (those charities that are not directly regulated by the Charity Commission of England and Wales) or excepted charities (certain classes of charities, such as churches, Scout and Guide groups, and armed forces charities, with incomes of £100,000 or less).
- ² Going forward, reference to FRS 102 also includes those foundations using FRSSE 2015 for financial years ending in 2015.
- ³ While Scottish and Northern Irish charities are subject to many of the same regulatory requirements as English and Welsh charities, there are some regulatory differences (for example, differences in the income level at which a full audit is required), and Scotland and Northern Ireland each have their own independent charity regulators: the Office of the Scottish Charity Regulator and the Charity Commission for Northern Ireland respectively.
- ⁴ Trustfunding has since been incorporated into Fundsonline.org.uk.
- ⁵ Foundation type and asset size were recorded for the most recent annual report only. Hence, for the purpose of these analyses, we are assuming that these characteristics remain consistent over the study period.
- ⁶ Our data are taken from a large, non-representative fraction of all grant-making foundations in England and Wales. Conventional null-hypothesis significance testing is therefore inappropriate and therefore such tests are not reported.
- ⁷ The exception here was the first year in which FRS 102 and FRSSE 2015 were introduced, *before* it became mandatory. Foundations voluntarily moving from SORP 2005 to FRS 102 and FRSSE 2015 in this year were substantially and robustly more likely to increase their level of grant-specific disclosure.

Conflict of interest

The authors declare that there is no conflict of interest.

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