

Our latest thinking on our time horizon – an interim statement

(5 minute read)

Published: 26 June 2023

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John Ellerman Foundation was set up in 1971 by Sir John Ellerman II. We have an endowment of circa £145 million, which is invested primarily in equities and generates returns which we use to cover our grantmaking and operating costs. Our annual grantmaking spend is between £5.0-6.0 million.

Our current strategy for 2022-25 looks to deliver our organisational aim to advance the wellbeing of people, society and the natural world with 100% of our assets – namely our grantmaking, our investing, our values and our organisational competencies, capabilities and assets. Decisions we take on the number of years we will exist for or, put another way, *our time horizon*, will have an impact on how we deliver our work in the future, for example our annual grantmaking spend, the liquidity of our assets and the kinds of investments we can make.

Background

Discussions relating to our time horizon started in January 2012, at which point we moved from existing in perpetuity to existing in the long term, which was defined as ‘in excess of 30 years’. These discussions were motivated mainly by the fact that we do not retain any significant living links to our founder.

In 2020 our thinking around time horizon evolved further. As part of discussions on what it means to be an environmentally sustainable and responsible investor and the need and urgency to act on behalf of people, society and the natural world, as highlighted by factors like the climate and nature crises, we updated our Investment Policy. This update included an agreement to review our choice to exist in the long term every three years, in order to decide if an end date should be chosen for the Foundation. By reviewing this decision regularly, we felt that it allowed us to:

- Determine our annual spend rate more flexibly, including increasing or decreasing our spend rate by adjusting our spend from the endowment more easily in response to unexpected and unplanned for circumstances.
- Make better informed decisions about the way in which our endowment is invested.
- Ensure our Investment Objective is not inconsistent with the expected lifespan of the endowment, the agreed risk level and the rate of grant spending.

In 2022, we agreed that the Foundation would have a definitive position on its time horizon by 2025 – when the current strategy cycle comes to an end – if not sooner.

Recent deliberations

To support with our thinking on time horizon we have invested in two areas of work primarily. The first relates to the commissioning of research into our history in terms of the origins of our wealth and the character and motivations of our founder, his father and sister. The findings of this work are available in the form of our publication *John Ellerman Foundation: A Historical Perspective*, which is available on [our website](#), and we also provided updates about this work as part of our May 2023 updates on the website. This research supports various areas of our work, including on time horizon, as it enables us to consider whether our founder held any strong views on how long the Foundation should exist for – and we did not find evidence that he did.

In October 2022, the Trustees and team held an Away Day to explore further the debates, models and implications of various time-limited or perpetuity scenarios for a Foundation like ours. This was informed and facilitated by external consultants who provided case studies, data on trends in philanthropy and some reflections on John Ellerman Foundation's approach to investing and spending to date. A healthy level of debate ensued, summarised briefly hereafter.

The ideas in favour of perpetuity were:

- Questions around the founder's original intent
- Existing in perpetuity means a legacy over multiple generations and it can guard against poor decision making and over exuberance in the short or medium term
- We need an independent civil society in the long run
- The crises and uncertainties we face are likely to exist beyond any end date chosen
- Will others fund the kind of work we support, such as campaigning

The ideas in favour of spend down were:

- Questions around the founder's original intent
- Urgency of the climate and nature crises and other political, economic and societal factors demand we spend more now
- Concerns around the origins of our wealth and the ethics of individuals amassing such large fortunes
- Investing does more harm than we can counteract through our grantmaking
- We could shift power to communities, increasing our impact and leaving a positive legacy

Trustees also considered the idea of a 'partial spend-down', meaning a boost in spending for a time-limited period that would allow the Foundation to remain in existence for the long term or in perpetuity thereafter. The meeting concluded with Trustees primarily interested in retaining our option of existing in the long term, i.e. not longer than 30 years, with some consideration of an end date of 2050. The option of moving to perpetuity remained under consideration. There was some support for partial spend down.

In May 2023, we also spent part of our Board meeting considering the option of mergers or gifts of our funds to other charitable funders or offering endowments to charitable organisations.

Next steps

Work relating to our time horizon is led on by the Director, Sufina Ahmad, and the Head of Research and Impact, Ciorsdan Brown. Trustees are clear that to make such a decision, we need a clear analysis of the difference we make currently, and how this might be impacted by altering our time horizon. This is why we are in the process of developing an organisation impact framework that outlines the difference our grantmaking has had in qualitative and quantitative terms.

We will also be making use of data from our investment advisers, namely around spend rate and forecast future returns across different time horizons. We are seeking advice and relevant research from sector peers and bodies too on the implications of spending down, or not, in relation to our work.

This document is *our interim statement* on this area of our work. By March 2025, if not before, it is our intention to have a clear decision on our time horizon discussions. Depending on the outcome of this, we will make updates to matters like our investment mandates, grantmaking priorities etc. accordingly. However, whether we choose an end date or exist in perpetuity, we remain as committed as ever to being a robust and proactive steward of our investments, engaging with our fund managers on the investment decisions they make on our behalf, and seeking to implement promising practice on responsible and sustainable investing. We will also ensure that we remain a transparent, accountable and effective grantmaker.

This statement also serves as a commitment that we will share our thinking (and our doing) on time horizon as openly as possible with those we work with externally, like grant-holders, peer funders, our fund managers etc. We are particularly keen to hear from grantmakers in the UK who are going through a similar process, so if you would like to chat to us (in confidence) about your experiences please do send us an email.