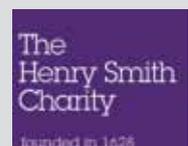


Duty of care

The role of trusts and foundations in supporting voluntary organisations through difficult times

Funded by



Authorship

This report has been written by Eliza Buckley, Ben Cairns, Alison Harker and Romayne Hutchison. It is based on research carried out by the authors, together with Chris Mills, Rebecca Moran and Saima Tarapdar.

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FOREWORD

When we embarked on this study our intention was to help shine light on the practices of trusts and foundations at a time of almost unprecedented upheaval in the lives and circumstances of voluntary organisations. Was the recession, in all its different guises, changing grant-making? In our early discussions with foundations about the research, we talked about the need for shared intelligence, the importance of monitoring trends in applications, and the opportunity to learn from each others' practices.

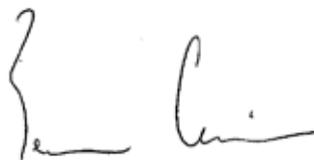
In the event, we did something different, which we think was more interesting and hope was more valuable. Our focus shifted from the foundations themselves to the social welfare voluntary organisations that they fund. This shift, proposed by the funders of the study, was intended to place the voice and experiences of voluntary organisations at the heart of a wider debate about the role and responsibilities of foundations during difficult times.

The current scale and pace of change is overwhelming. The organisations in our study are all experiencing a bewildering set of challenges, characterised by complexity (for example, changes to the organisation and funding of public services) and distress (in particular, increasing levels of poverty and hardship amongst their users and beneficiaries). During our visits across the country for this study, we saw with our own eyes the incredible work that is being carried out in local areas, often against all the odds, to provide real and tangible benefits to local people. We also heard about the huge importance attached to foundation funding and how, when it works, it can provide a lifeline and make a lasting difference. Careful consideration of these findings will, we hope, help to remind foundations of the importance of their decisions about funding and other support being grounded in an understanding and appreciation of applicants' context.

As well as wanting to provide a snapshot of life in 2012 for social welfare voluntary organisations, we were interested in talking to organisations about possible changes to funding practices. For many, the world of foundations is obscure and closed. Despite these concerns not being new, speaking truth to power still appears to be the exception to the rule. Many of the problems and concerns highlighted by our

study participants can be linked to shortcomings in relationships. Whilst we recognise that effort and skill is required to make them work, the findings presented in this report suggest that improvements are still needed. One of the important conclusions that we reach is that conceiving of the interaction between funders and voluntary organisations as relational – rather than contractual – might help to develop trust, foster openness and create a virtuous circle in which both parties are better able to realise their goals. For this to happen, funders could be guided by a commitment to making grants a positive experience for grant holders, rather than operating in ways which set people up to fail, or that privilege their own demands and systems over the circumstances and capacity of the organisations and individuals they are trying to reach. We have described this commitment as a 'duty of care'.

We hope that the findings and thoughts set out in this report create opportunities for foundations and the organisations that they fund to think together about if and how to do things differently.



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Introduction

This report

This report outlines findings from the first year of 'Recession Watch', a two-year research project led by the Institute for Voluntary Action Research (IVAR) working with six foundations: Comic Relief; the Cripplegate Foundation; The Diana, Princess of Wales Memorial Fund; Esmée Fairbairn Foundation; Henry Smith Charity; and The Tudor Trust. The research aims to generate and share learning about changes in grant need (primarily among social welfare voluntary organisations) and grant-making in the context of a rapidly changing and challenging policy and funding environment – with a view to modifying or changing practices and relationships.

This report outlines findings from 59 interviews with social welfare voluntary organisations that had received, or were in receipt of, funding from at least one of the participating trusts. Interviews explored grant holders' experiences of the current operating environment and of receiving funding from an independent trust or foundation.

Part One of this report provides an overview of the background to the study and our approach to the research. In Part Two, we share the findings from our interviews, exploring: the operating environment of study organisations; the kinds of support that organisations require at the moment; and, finally, the role that trusts and foundations might play in supporting voluntary organisations and, by extension, their beneficiaries. In Part Three, we discuss the implications of these findings for trusts and foundations.

Background and context

In a period of very rapid change in policy and funding practices, it is clear that retrenchments in public expenditure and changes in social welfare policies are likely to have profound and lasting effects on the operating environment for voluntary organisations. In 2010, the Chancellor announced planned cuts as part of the Comprehensive Spending Review, with public expenditure forecast to fall by three per cent between 2009/10 and 2015/16.¹ Within this, the voluntary and community sector (VCS) is estimated to lose around £911 million in public funding a year by 2015/16.² Research by the Charity Commission suggests that charities with incomes over £100,000 have been hit hardest, whilst the very smallest charities appear to have been more insulated from changes in the economy (although they face their own challenges).³

Cuts in public expenditure, combined with increases in beneficiary need due to rising poverty and living costs, mean that many valued voluntary organisations are facing an uncertain future. Recent research describes the voluntary sector as being in the middle of a 'major reshaping'⁴; in this context, many organisations may need to change their business models in response to the economic situation. For example, the number of charities considering merger is estimated to have risen from 12 per cent in 2011 to 20 per cent in 2012⁵ and employment in the voluntary sector fell by almost nine per cent in the year 2011/2012⁶. In addition, voluntary organisations are facing pressure and recommendations to work in partnership and demonstrate their 'impact' or the difference they make.

It seems likely that organisations will find it difficult to meet these demands, both in terms of capacity and capability. There is a serious risk that without careful, sensitive, targeted attention and support from grant makers, voluntary organisations may struggle to survive (indeed, many will close) and stay true to their missions. This, in turn, could seriously weaken and damage a core ingredient of civil society. In 2010, a series of articles in Trust and Foundation News (TFN) highlighted the multiple challenges facing voluntary sector grantees and the various choices and dilemmas facing grant makers. Many trusts and foundations are now engaged in debates about funding core costs, plugging the gap left by reductions in public expenditure, protecting small and locally based organisations, exploring alternative forms

of finance and further developing their ‘funding plus’ activities. Recent research, published by the Association of Charitable Foundations, stresses the dual challenge currently faced by trusts and foundations of increased demand from beneficiaries and lower investment returns.⁷ The report suggests a need for greater clarity from foundations about their purpose and what they set out to achieve *and* highlights a need for further research and learning into how trusts might respond to these pressures.⁸

The December 2010 edition of TFN⁹ stressed the need for shared intelligence among grant makers. In particular, trusts and foundations need to be able to: monitor trends in applications; have access to ideas and options for effective and imaginative responses; and learn from their evolving practices in order to strengthen their grant-making. The risks of a more introspective approach include missed opportunities for impact at a time of increased demand and pressing need, as well as the possibility of grant makers becoming inexorably drawn into grants focused on ‘shoring up’, at the expense of any sustained investment in development. The context of the coalition government’s emerging policies around giving perhaps makes the case for some kind of coordinated action stronger. External expectations on trusts and foundations are rising, with a particular focus on the need to improve the responsiveness of grant-making, demonstrate value and justify independence.

The various changes and trends described above provided the broad background to this research. In October and November 2011, individual meetings were held with each of the six trusts participating in Recession Watch. These meetings explored changes in patterns of grant applications and the key issues facing grant holders. Contrary to expectation, the participating trusts had not experienced significant increases in grant applications as voluntary organisations felt the effects of cuts in public spending. However, the six foundations had noticed a reduction in ‘strong and compelling’ applications, with a tendency for organisations to apply for funds for new projects, expansion or unrealistic amounts of money. Some funders had also seen an increase in applications for emergency funding from organisations in financial crisis. There was an impression amongst some funders that voluntary sector fundraising approaches still focused on demonstrating growth and innovation under the, perhaps outdated, perception that this is what funders look for in grant applications.

At the time of these meetings, participating trusts were individually exploring the options for, and implications of, providing: core funding; continuation funding; ‘funding plus’ activity; and proactive responses to cuts in public spending. There was also a perceived need for individual and collective exploration of the role of trusts and foundations in responding to the cuts in public expenditure, reductions in statutory provision and

increase in the needs of their grant holders’ beneficiaries. It is within this more specific context that the Recession Watch research took place.

The findings of the Recession Watch research will not necessarily be new: many funders will have an awareness and appreciation of the current operating environment from grantee applications; some may already be encountering and exploring similar issues and ideas to those set out in this report. However, we suggest that the challenges and associated needs of many social welfare voluntary organisations are complex and pressing. Furthermore, the funders with which we are working have an appetite to explore these issues collectively, so this jointly commissioned study provides a rare opportunity for shared thinking and joint problem solving.

Approach to the study

STUDY PARTICIPANTS

This report describes the findings from 59 interviews with grant holders of the participating trusts.¹⁰ Interviews were conducted in February and March 2012, with 37 carried out face-to-face and 22 by telephone. Each participating trust used different criteria to select grant holders for the study:

- Comic Relief – grant holders in the northwest of England
- Cripplegate Foundation – a mix of local (Islington) grant holders across all grant types
- The Diana, Princess of Wales Memorial Fund – grant holders in their Refugee and Asylum Seeker Initiative from throughout the UK
- Esmée Fairbairn Foundation – a mix of grant holders from all grant programmes across England
- Henry Smith Charity – a mix of grant holders across their UK funding portfolio
- Tudor Trust – mostly small organisations (with an annual income of under £100,000) across England.

Initial contact with grant holders was made by individual trusts, using standard information provided by IVAR about the research aims and key questions to be covered in interviews. We also included information about IVAR. Five trusts then provided us with contact details for a long-list of willing participants from which we selected a short-list to interview; one trust contacted grant holders itself, requesting that they respond direct to IVAR if they wished to participate. See Appendix One for a list of all the organisations interviewed for the study.

We collected basic organisational details from interviewees where possible, with a total of 38 forms completed. Using these details, we can summarise the broad characteristics of our study organisations:

- The majority of organisations were 'medium' sized (with an annual income of between £100,000 and £1 million); fewer than 10 organisations were 'small' (with an annual income of between £10,000 and £100,000); and fewer than 10 were 'large' (with an annual income of between £1 million and £10 million).
- Where exact income was indicated, organisations were at the lower end of the 'medium' income level, i.e. closer to £100,000 than £1 million.
- The majority of organisations were based in urban areas, with their local authority (District or Borough Council) being the main area of benefit. Most other organisations operated at a neighbourhood level, city-wide or nationally. Only one organisation was based in a rural area.
- Most organisations were less than 40 years old, with the majority between 10 and 20 years old. A few organisations had been operating for more than 40 years and one for over 100 years.
- All study organisations might broadly be described as social welfare organisations, working with marginalised and disadvantaged people in a wide range of fields, including: criminal justice; mental health; community work; advocacy; education; learning disabilities; homelessness and housing; domestic and sexual violence; youth work; mentoring; refugee and asylum seeker support; legal advice; and the arts.
- Most of our study organisations had been in receipt of funding from their respective foundation for between 18 months and two years. Up to 10 organisations had been in receipt of funding for more than five years.

Finally, we also spoke with each participating trust about their experience of collaborating with other funders. During the six face-to-face meetings we explored: reasons for collaborating; previous experiences of working with other funders; and some of the challenges and success factors of collaborative working.

DATA

Interviews explored grant holders' experiences of their current operating environment; their organisational support needs; and their views on the ways in which funders might support these needs and voluntary organisations more generally. While the starting point for interviewees' involvement in the study was their relationship with the respective participating trust, the views expressed cover their experiences of dealing with a wide range of funders.

Given that this is a qualitative rather than a quantitative study, we do not indicate the number of people holding any specific point of view; rather, the findings below present the range of ideas expressed, although we do highlight points made by several interviewees. Anonymised quotations from interviewees are presented in italics. We use the words 'interviewees' or 'study participants' to refer to the people who took part in interviews. We refer to the organisations for which they worked as 'study organisations' or 'grant holders'. The six trusts participating in the research are described as 'the participating trusts' or 'the participating foundations'. We use the term 'voluntary sector' to describe organisations that variously described themselves as belonging to the: community sector; voluntary and community sector; third sector; non-profit sector; or civil society.

Study findings

Here we present the findings from our interviews under three overarching headings: the current environment of study organisations; support needs of grant holders; the role of trusts and foundations. Within each section we use a number of subheadings to organise the data.

The current environment

We begin by outlining interviewees' descriptions of their organisations' current operating environment, one characterised by cuts in public spending, changes in public policy, increased demand from service users and growing competition for limited resources. We describe some of the challenges that study organisations are facing and the opportunities they are encountering, as well as the ways in which they are adapting to changes.

FUNDING

We asked interviewees to describe the operating environment of their organisations, looking at the past two years and their current situation. All interviewees began by talking about funding, referring to cuts in public spending, a move towards commissioning of services and growing competition for resources.

CUTS IN PUBLIC SPENDING

The overriding issue for all interviewees was the organisational impact of cuts in public spending following the change of government in May 2010. This was most pronounced for medium-sized organisations, as they had previously been most reliant on statutory funding. However, reductions in public spending had affected all study organisations, partly because remaining resources were now subject to much greater levels of competition (see page 12) and, partly, due to increased hardship amongst user groups (see case study one). The past two years had been incredibly stressful for all interviewees:

“ All the time it was just thinking about how we survive.

The majority of study organisations had lost substantial amounts of statutory funding. In some instances funding had ceased without warning or consultation. For example, one organisation had Home Office funding abruptly withdrawn one year into a three-year contract. Other interviewees were still in the difficult position of waiting to hear what might happen following the suspension of contracts during spending reviews: '[local authority] told us that we were going to get a reduction in our third quarter funding and then the fourth quarter would be cut completely ... then, they changed their minds and they have since just been extending the contract every three months'. The uncertain nature of statutory funding was frustrating to many interviewees who were finding it difficult to plan or develop work; as one said: 'work of this nature doesn't happen with two weeks planning, it takes a year's planning'.

CASE STUDY ONE: SUPPORT FOR WOMEN AND CHILDREN

A voluntary organisation in a large urban area provides support to women and children. The organisation has had to deal with a massive increase in demand for its services over the last two years. The number of referrals has increased by a third, with a steep increase in families referred by the local authority. They are often 'more risky cases', presenting with more complex problems. At the same time, related services in neighbouring areas are experiencing cuts in funding and reduced staffing levels; and local authorities are under pressure to close cases. The way in which services are funded means that women and children have to keep moving between services funded for specific purposes as their circumstances change. Staff describe the organisational environment as 'exhausting'. They are committed to their work, but funding cuts have had 'a massive impact on our delivery'. They see the future for children and young people in an area with few resources as bleak.

'It is really hard to encourage young people to be pro-active and responsible citizens in a world that doesn't particularly reward that.'

A MOVE TOWARDS COMMISSIONING OF SERVICES

In most of the areas where participants were operating, statutory agencies had moved towards commissioning as their preferred model for funding the delivery of public services and voluntary organisations. Many interviewees were overwhelmed or deterred by commissioning processes, finding it difficult to compete with large organisations who were more 'tender ready':

“ Tenders and commissioning – it just goes over my head and scares me.

Interviewees were concerned that the voluntary sector, particularly small and medium-sized organisations, was getting pushed out of delivering local services: *'they don't make it friendly for small charities and it leaves us behind ... the tendering process means big companies get the contracts'*. We also heard about a lack of opportunities for discussion with the public sector about the delivery of services: *'there is no intelligent commissioning'*.

Several organisations felt that they were being exploited by the public sector: *'the council knows all too well that organisations like us, who work at a grassroots level, can deliver their targets and their figures at a fraction of the cost that they can and although we are cheaper we have come to realise that actually they take the piss'*.

GROWING COMPETITION FOR LIMITED RESOURCES

Reductions in public spending, a move towards commissioning and the need to diversify funding sources (with many organisations turning to trusts and foundations) were seen as contributing to the creation of *'intense competition'* within the voluntary sector. Many of our study organisations were struggling to remain competitive, particularly against large or national organisations:

'We [smaller charities] can no longer compete with the big boys ... where other charities have been reliant on government funding and had their funding cut, they are now applying to the pots that we apply to.'

To this end, interviewees were exploring alternative delivery models, such as partnerships, believing that this approach was preferred by external agencies: *'now with funding cuts you can't get the funding yourself ... you're stronger if you join up'*.

There was a general view amongst interviewees that the statutory sector wanted to see voluntary organisations *'working together to do more for less'*. However, heightened competition for resources was believed to have eroded the ability of many organisations to work in partnership. We heard numerous examples of

competition having damaged previously collaborative relationships: *'it's so bad now. Before, we each had a good understanding of our services and how they complemented and fitted together. They'd refer to us on a regular basis, but they never do that now'*; *'some organisations think about things very competitively, they want to compete for resources for themselves [but] the challenging environment we are operating in doesn't always help the partnership approach'*.

Concerns were also raised about the challenge for voluntary organisations to remain independent in the face of increased competition; many believed that, in order to secure funding, *'we have to provide a service that the local authority wants'*:

“ [It is] very hard to stand up against anything now because it writes you out of the dialogue.

'The fear is that we'll become scared of operating in silos, so we will play to the statutory sector's tune. But independence is so crucial for accessing services – the people we work with distrust and have been mistreated by statutory services.'

CHANGES IN PUBLIC POLICY

Policy changes, shifting policy priorities and an apparent lack of an overall plan for statutory services were all proving problematic for study organisations. In turn, associated funding changes – for example, the government's *'personalisation'* agenda, health reforms, changes to housing benefit and legal aid reform – were described as creating difficulties for individuals and thence for the organisations supporting them.

Uncertainty about pending policy changes was also difficult for interviewees to deal with: *'the local authorities are still cutting money and changing their priorities'*; *'it's frightening, especially the health reforms and police commissioning ... It's just very unstable'*. Organisations working with asylum seekers and refugees also talked about changes in political ideology contributing to an unfavourable environment for their organisations and the clients they worked with. For these organisations, legal aid reforms had increased demand for their work whilst reducing funding available for delivery. It was noted that the full effects of policy and welfare reforms (particularly health and legal aid) were yet to be felt, with further changes expected.

CHANGES IN USER NEED

We asked interviewees about the needs of their users and whether, and in what ways, these needs had changed over the past two years. Study participants

believed that increased poverty was the root cause of differences in user needs, but generally described an *increased incidence* of need rather than changing needs: *'even more unemployment, poverty, hunger'*. Furthermore, interviewees were seeing more users with complex needs: for example, one organisation had seen an 80 per cent increase in clients with intense needs (e.g. people at risk of committing suicide or with child protection issues); another said: *'we have found ourselves working with more vulnerable women and families ... and working with families with more complex issues'*. Study participants believed that the recession and associated stresses were directly responsible for these changes: *'[we think] the increase in referrals in the last two years is the result of the economic downturn and the stress and impact on families'*.

“ | Even more unemployment, poverty, hunger.

Increased poverty and the closure of other services (both statutory and voluntary) had stretched the capacity of study organisations to the limit. We heard of a rise in people self-referring, as well as an increase in referrals from statutory services (see case study two): *'referrals have increased by 10 to 15 per cent in recent years but in the last eight months [they] have increased by 40 per cent and so far [February] are up by 30 per cent on this time last year'*. It is possible that some increases in referrals were also due to changes in service eligibility thresholds in many areas. In all instances, the increased reliance on voluntary organisations for direct welfare provision was not the result of joint planning with statutory bodies and did not have any funding attached:

'Referrals now tend to be from statutory services such as health visitors, schools, social workers, which is ironic really, because we now receive no funding from government.'

In managing these increases in demand, organisations had needed to review their service provision and, in some cases, refocus activities to ensure that the most vulnerable users were provided for. In doing this, many study organisations had begun to provide new services, often at considerable organisational cost: *'we had to use organisational reserves to cover services that were cut suddenly by the community safety team'*. These changes left interviewees concerned that the preventative aspects of their work (often developed over many years) had fallen away in order to respond to those in crisis.

However, it was not always possible, or appropriate, for study organisations to take on new services; interviewees spoke of the gaps in provision that had been exposed by cuts in public spending and the problems caused by the lack of a preventative agenda:

'The cuts are causing the quality of care available to be next to useless. The services are crap, people are falling through the net, people get a dreadful service and suicides are going up.'

'We are seeing people with mental health problems whose benefits have been cut and we do not have the expertise to advise on benefits. The CAB's [Citizens Advice Bureau] funding has been cut and there is a knock-on effect. It feels as if people are falling apart around us.'

In addition, organisational capacity was being squeezed by the need to take on contracts outside 'core services' in order to sustain organisational income. This, in combination with the pressures described above, was frustrating to interviewees who felt they were no longer able to provide services that met users' needs: *'it's people on the margins who need it [specific service] so much. We've got the skills and experience but just not the capacity or resources'*.

We also heard concerns about the effect of 'overstretched' organisations on the quality of the services delivered. For example, one interviewee explained: *'we're seeing more people who are being given wrong help or advice elsewhere'*. Worries were also raised about resource-led changes in delivery, as some described *'the removal of face-to-face advice ... provision has moved on-line and by telephone'*, resulting in vulnerable clients often being unable to access services, and left *'reliant on a dwindling number of face-to-face providers'*.

CASE STUDY TWO: COPING WITH INCREASING DEMAND FOR SERVICES

A community centre in rural northwest England provides a wide range of services, including an affordable café, counselling, benefit advice, training, food parcels and a soup kitchen. The local area is characterised by a high incidence of unemployment, disability and mental health issues.

In the past two years, the centre has seen an increase in demand for its services as users struggle with reductions to their benefits, homelessness and poverty. For example, there has been a 700 per cent increase in demand for food parcels and the soup kitchen: *'this morning we had a young girl here with five kids, she was crying and just asked if we could feed the kids because she had no money and was so ashamed'*. The centre's drop-in service, which usually sees 1,300 people a year, has seen 2,000 clients in just 10 months. There has also been a rise in the need for counselling support and benefit advice as so many people have *'lost their income support and been pushed onto job seekers allowance'*. One consequence is that *'people even suffering with addiction, who don't know what day it is, are being pushed into looking for work. They're in no state for it, so they don't get work and then they get the benefit taken away again'*.

In addition, statutory services have become increasingly reliant on the centre's services, putting pressure on their capacity to deliver: *'the mental health team have cottoned onto our services and referred 40 or more people to us. So now we have a waiting list that's three months long. Because we offer unlimited counselling, as I don't believe in cutting people off after six sessions, it seems they've really cottoned onto this'*. These pressures have been compounded by the closure of many local services. Despite increased referrals from the mental health team and the local job centre, neither has come with additional funds for providing the work, leaving staff concerned about the sustainability of their services: *'at the moment we can cope but I'm not sure it's long-term...'*

'There is nowhere else to go, the statutory drop-in has shut, there's nothing [here] for people with mental health problems.'

IMPLICATIONS FOR ORGANISATIONAL MANAGEMENT

Interviewees talked about the implications of the pressures and changes outlined in the preceding sections on the management of their organisations. Their concerns were twofold: that service provision has lost its preventative focus and, linked to this, that it is very difficult for voluntary organisations to engage in strategic planning in times of crisis. It was stressed to us that user needs would not change or reduce without a long-term preventative approach to support.

In the current climate, interviewees felt unable to do much more than respond to immediate needs and crises. This approach might be described as 'short termism', with organisations paring back for survival rather than sustainability. For example, some study organisations had cut services or reduced the amount of time they spent with clients; others had introduced targeted levels of support depending on beneficiary need. The overriding aim of such changes was to *'keep something going'*, to continue providing essential services to those most in need:

'We have to work with those who really need our help and support ... we have to target the referrals to ensure they have sufficient need to warrant our help.'

We also heard about study organisations trying to maintain their level of provision at the same time as coping with an increase in referrals; often these organisations had to turn people away or create waiting lists for support: *'we had 15 or 16 nights when we were full and turning people away, which we had never done before'*. There were concerns here that delivery was being shaped by the funding that was available, rather than the needs of users: *'we've got a sector doing one thing and a problem that is somewhere else'*.

In this context of fire fighting and damage limitation, our interviewees were finding little time to step back and think about their organisation's strategic direction. It was widely acknowledged that this approach was not a viable option long-term, and interviewees were aware that they might need to acquire a greater understanding of their funding and political landscape: *'you have to start to entirely rethink what your model is, because our old model was based on a welfare state that was genuinely there to provide a safety net and that may no longer be the case'*. Some had already taken steps towards this: for example, one interviewee described using networks as a way of keeping in touch with policy changes, making contact with decision-makers and becoming alert to opportunities for their organisation: *'that's been really vital for us in relation to getting around the right table ... It's changed how we're placed and the information we're getting'*.

As organisations that were generally responsive to changing needs, our study organisations were used to adaptation. Prompted by the pressing demands outlined in previous sections, some had reassessed their approaches to governance and leadership to ensure that they were fit for purpose in the 'new' environment: 'we had to refresh and recruit trustees – they were used to nodding but we've now recruited on a skills base and they are there for a purpose'. As described earlier, study organisations had also invested time and resources into developing partnerships for delivery and support. All interviewees had begun to diversify their funding sources, variously exploring: trusts and foundations; corporate and private donors; partnerships; and social enterprise activities. However, it was noted that, broadly speaking, these adaptations had occurred in unplanned ways; further examples of (un)strategic decisions included staff redundancies, using volunteers to deliver services and drawing on organisational reserves to keep services running.

Some study organisations had been more proactive, sensing the opportunity in the early stages of the recession to reflect upon and develop their work:

'The recession really forced us to resolve it – it pushed us to question whether what we are doing is worth investing in and then to find other funders.'

'We're focusing on doing a bit less, but doing it a bit more deeply ... growth is not about having a lot of work, but about learning, methodology and depth.'

'We were already developing the idea of early intervention and sadly the riots have put that into sharp focus. The government now recognise the value of working with younger children, which has helped us in terms of being strategic and fitting in with government policy.'

SUMMARY

The current operating environment for social welfare voluntary organisations is characterised by:

- Cuts in public spending and changes in public policy that appear unplanned and have been carried out with little notice or consultation with the voluntary sector. There is still considerable uncertainty about the potential impact of upcoming policy changes.
- A move towards commissioning of services and difficulties amongst voluntary organisations of engaging with this. There are also concerns about the effect of the voluntary sector, and especially small organisations, being 'pushed out' of local service provision.

- Increased competition for limited funding and related pressures for organisations to articulate the difference they make, be seen as efficient and work in partnership.
- An increased incidence of poverty and complex needs – in part due to poverty and the stresses of the recession, in part due to the loss of other support services. Organisations are therefore seeing increased demand for their services and taking on new areas of work. Interviewees also spoke of the refocusing of services to support those most in need, meaning that a preventative agenda is being lost.
- Within this context, we found organisations adapting in a range of ways. Adaptation was mostly unplanned, as organisations were increasingly reactive to organisational and user crisis.

Support needs of grant holders

We discussed with interviewees what support they thought their organisations needed in order to meet the challenges they faced, to take up new opportunities, and to survive and thrive in the future. Interviewees reflected that trust and foundation funders do not necessarily need to provide such support, but that they do have a responsibility to help stabilise and strengthen grant holders. Funders were therefore seen as needing to be aware of, and open to hearing about, support needs and to take a role in providing, or guiding organisations towards, support.

In this section, we present our findings under three headings: provision of core funding; time and space for strategic thinking; and understanding the difference organisations make ('impact'). Finally, we look at interviewees' views about the delivery of support.

PROVISION OF CORE FUNDING

When asked about the kind of support they need at this time, interviewees talked first about the need for core funding in order for their organisations to be more stable and better placed to achieve their missions. There was some inconsistency about what constitutes 'core funding': broadly speaking, interviewees described it as funding to cover central organisational functions and infrastructure (i.e. administration, human resources, office space, IT) and deliver 'core' services that are central to the organisation's mission. Unavailability of core funding was believed to be at the heart of many of the difficulties that study organisations were experiencing in trying to meet the needs of their service users.

“ It is hard to get stuff for your bread and butter work, and of course you can't do other projects without bread and butter money.

Core funding was seen as especially important in an environment in which many organisations were experiencing financial difficulties or crisis and scaling down to survive. Within this context, we heard of a need for trusts and foundations to support existing organisations and their current work, rather than innovation. Many felt that funders were not interested in providing core funding but said it was crucial: ‘we currently need the ugly stuff’. In addition, funders might need to consider the effectiveness of providing project funding in difficult times:

‘If you accept that organisations that are unstable are unlikely to be able to deliver, then you need to think seriously about their core and what they require to be stable.’

Furthermore, a tendency for funders to provide short-term project funding rather than longer-term core funding was thought to be detrimental to organisational health: ‘the balance is currently skewed in favour of short-term project support, rather than long-term core support, which puts us in quite an unstable position’. Interviewees explained that the work involved in pursuing small pots of funding detracted from service delivery and could push organisations further into crisis management/reactive mode: ‘[Core funding] is great because it provides greater stability, continuity and flexibility and it also saves time because all the time that you are trying to get project money you are not actually doing the job you are here for’. Long-term core funding was thought to be helpful in alleviating these pressures: ‘it needs to be long-term otherwise you're doing paperwork again after six months ... it's a false economy’.

Interviewees considered that providing core support of this kind would help to make the receipt of grants a more positive experience and give their organisations the space to think strategically and respond to the new or emerging needs of their users. In addition, long-term support could help voluntary organisations to achieve real change: ‘it's helpful when funders provide money for at least two or three years because it's a bit of an opportunity to plan ahead, which is particularly valuable when working with vulnerable people’. It was also suggested that a lack of long-term funding did not help organisations to develop open, honest relationships with funders: ‘I can assure you that voluntary sector organisations up and down the country are just stretching out their funding with new language, but doing the same project and just emphasising something different’.

TIME AND SPACE FOR STRATEGIC THINKING

Many of our study organisations spoke about the difficulty they experienced in finding time and space to think strategically about their futures and plan the way ahead. In some instances, the main problem was carving out the time to do the necessary thinking, or to act on strategic planning, when facing pressing service delivery demands:

‘We're like a crisis organisation that exists to make crisis interventions and it's like we're crisis managed. Often we react to things too late: there's not enough forward planning; there's so much to do that there's no time to forward manage.’

Interviewees were struggling to manage competing demands, believing that, in the current environment, taking time to step back and reflect on their work would pose a risk to their current provision:

“ Thinking ahead during times of uncertainty is so hard to do without jeopardising your existing work.

In addition, there was often little internal support for strategic development, as a result of stretched internal capacity and the loss of staff through down-sizing: ‘one of the things that I miss, or I don't feel I have, is another person to work things through with. Somebody who's got similar experience, or somebody's knowledge or expertise you can draw on to help sound out or stimulate new ideas’. It should be noted that interviewees made very few references to trustees as a source of support or encouragement for thinking more strategically.

The diminished capacity for strategic thinking was frustrating and worrying for interviewees who were conscious that, long-term, this was not a viable *modus operandi*. In particular, they realised the importance of thinking about their organisation's place in the ‘new’ environment: ‘we could do with some help trying to understand the future’. Interviewees would appreciate ‘some general support and discussion with experts and other organisations in the same position, with regards [to] strategies for weathering what may still be to come’. Specifically, there was an appetite for support to help address pressing questions about organisational direction, collaboration and commissioning.

Support might also be required to help grant holders understand their own needs; some of those we spoke to were not sure what support they might require (‘you don't know what you don't know’). Many interviewees talked about the need for fundraising support, but further discussion revealed more complex needs for

strategic thinking, impact assessment and other areas. Our findings suggest that organisations require support that enables them to reflect on and understand their own needs, before working to meet them. For this reason, external support was believed to be beneficial, particularly for those who had struggled to be proactive but wanted to move towards operating in this way. Finally, it was stressed that provision of strategic development support would not be enough on its own – time and space to engage is also required in order to make use of such support: *‘having someone provide six months of somebody senior to free up mine and my deputy’s time would give us space to develop and plan’.*

UNDERSTANDING THE DIFFERENCE ORGANISATIONS MAKE

Increased competition for limited resources, combined with expectations on funders to demonstrate accountability, has translated into pressure for voluntary organisations to evidence their outcomes and impact. Interviewees spoke of their need for a narrative to describe the difference their organisation makes in order to remain competitive:

‘We never thought of people as things to calculate ... now we have to say: “This woman went to A+E [accident and emergency] so and so times a year; now she only goes once a year to A+E.” That’s what they want us to say, and it’s the only way we can sell ourselves in the market place.’

There was a desire for support to understand why an organisation might measure impact and how to go about this. Interviewees talked about ‘impact’ ambiguously, variously referring to ‘activity’, ‘outcomes’ and ‘impact’ and using the terms ‘outcomes’, ‘change’, ‘impact’ and ‘difference’ interchangeably. Describing progress in achieving social or behavioural change was particularly challenging: *‘changing people’s lives is not a one year job’.* Support was needed not just to understand and measure their impact, but also to communicate it to funders and other stakeholders: *‘how do we clarify and package the work that we do in a way that the outside world understands us more?’* This was particularly important in order to respond to new opportunities, such as commissioning processes: *‘[there is a chance to] become sown into the fabric of [city]. We need to demonstrate how essential this service is, particularly to certain parts of the population of [city]’.*

We heard very few references to an internal, organisational need for understanding ‘impact’; rather, interviewees referred to the need to meet the external requirements of funders (both statutory and independent). This meant that study organisations were trying to balance meeting funder requirements with their own organisational impact measurement requirements. There was consensus that, if funders require high-quality approaches to evaluation and measurement, then

organisations need funding and supporting in a way that enables this to happen:

“ We measured the numbers, but how do we manage impact? It is challenging to keep up; funders have pushed us to do more, but they haven’t funded it.

‘Funders don’t realise that it needs a lot of support to do this [outcomes and impact monitoring]. So we are finding that we have to find the money out of reserves to train people in the reporting of outcomes.’

DELIVERY OF SUPPORT

Interviewees considered that the most useful support is that which is face-to-face, bespoke and geared to the specific needs of the organisation. Furthermore, long-term support from a consistent source was thought to be valuable: *‘[Long-term support is] the ultimate: having a sounding board that you could talk to and who would know you throughout your journey’.*

However, interviewees pointed out again that they require the capacity to benefit from the support offered, and that funders might need to be more aware of this: *‘support just creates more work for me but none of the other pressures go away’.* Provision of core funding would help organisations to benefit from support, which is: *‘probably more useful in easier times if you have space to benefit from networks, events, training. I have to be so careful about what I do and don’t go to at the moment’.*

The source and provision of support requires careful thought, with consideration given to access issues, local context and existing provision (e.g. local infrastructure bodies): *‘they pay for your accommodation etc, but it is six hours on the train and on 22 hours a week it is too time consuming and I have a family and children outside work. We are too small to use what is offered ... it is fine if you are in a big urban centre but not appropriate for a rural spread’.* For many of those we spoke to, their preferred source of support was a local infrastructure body because it was ‘local’ and seen as relatively accessible. However, some interviewees noted that support from Councils for Voluntary Service (CVS) is changing due to funding cuts:

‘They [the local CVS] have been slashed massively ... we used to get weekly emails, now we’re lucky if we receive an email every six months.’

Furthermore, it was sometimes felt that CVS were not equipped to provide the support required: *'they just tell me to fill it [the form] in and that I'll be fine. I need more than that'*. Finally, interviewees suggested that funders could think more carefully about their reasons for offering support, looking at who it might be most useful to and when: *'if they are investing in a small start-up charity then it makes sense to help build their capacity up'*.

SUMMARY

- Organisations primarily require core funding to enable them to be stable and deliver their missions. Core funding would also help to provide breathing space to focus on other areas of development and engage with support provision.
- In the face of competing demands, study organisations are struggling to look at the future and their organisational direction. They require time and space to do so, as well as external support.
- To remain competitive, there is a need to develop a narrative about the difference study organisations make in ways that meet the needs of multiple stakeholders and are appropriate for the organisation itself.
- The most useful support is bespoke and attuned to organisational context and needs. Consideration is also required about access issues, the local context and existing support provision. Finally, funders might consider which organisations would find support most useful; at what stage of organisational development; and in what circumstances.

The role of trusts and foundations

The Recession Watch project has a dual aim: firstly, to generate learning about grant holders' situations and needs in a changing and uncertain political and funding environment and, secondly, in the light of this, to consider the role of trusts and foundations in supporting grant holders and the voluntary sector more widely. To this end, we asked interviewees for their views about, and experiences of, grant-making processes and their relationships with trusts and foundations. We also asked interviewees about the wider role they thought funders might play in supporting voluntary organisations. Here we present our findings under four headings: relationships with grant holders; the 'advocacy' role of trusts and foundations; grant-making processes; and collaboration between funders.

RELATIONSHIPS WITH GRANT HOLDERS

We asked interviewees about their relationships with funders, looking at their experiences and what had worked well or been challenging. There was a clear appetite for developing long-term, collaborative relationships with funders:

“ To be able to work with funders, to have that open conversation about what it is that we are trying to do and whether it is working; that would be invaluable.

The ideal situation was described as long-term investment in relationships – interviewees with such experience, sometimes punctuated by gaps in funding but remaining in contact throughout, found it to be fruitful and supportive. For example, one interviewee said of Henry Smith Charity: *'we've a history with them and even if they aren't funding us we'll keep them updated, they'll come to our events and things'*. In the following sections, we look at the characteristics of both positive and unhelpful relationships with funders.

CHARACTERISTICS OF POSITIVE RELATIONSHIPS

Interviewees identified the broad characteristics that make funder relationships a positive – and useful – experience. The most positive relationships between funders and grant holders were characterised by personal contact with a named individual at the funding organisation and a clear understanding of the 'rules of the game', that is, clarity about the funder's expectations and processes. At its best, this kind of relationship was developed face-to-face (through meetings and visits), but having a grant manager contactable by telephone or email was equally appreciated: *'they already knew a fair bit about [the organisation] and they actually came and spent the morning here. I felt that whatever decision was made, it was with the best knowledge, rather than assumptions'*.

Interviewees felt that the opportunity to develop a one-to-one relationship helped to build trust and therefore open, honest relationships: *'once a relationship is established you get good interaction and cooperation and great support. It is an equal relationship. I can be open and honest'*. Personal contact with funders was seen as facilitating supportive, positive relationships:

'The relationship with Esmée was my ideal really. We started the project together; there are clear lines of communication and we feel that they get it because of the feedback they've given us.'

'All trusts no doubt care about how you spend their money; Tudor were great because they make you feel like they really do care ... When their funding stops it will take some time to get used to not having access to their knowledge and support.'

'I now know several people who work for the Diana Fund. It makes things much easier and you feel that they are very supportive.'

There are mutual benefits to working in this way: grant holders who had opportunities to meet funders (before applying or when in receipt of funds) said: *'we have a better understanding of their needs too'*. The efforts made by funders in visiting organisations and attending local or issue-specific events were praised, with specific references made to the practices of Comic Relief and the Cripplegate Foundation:

'Comic Relief came to the conference this year and it was such a boost to know that they are interested and get it.'

'Cripplegate are fab. If they have questions, they visit or phone you.'

To aid the development of open and honest relationships, interviewees thought that funders might be more open about the security of funding and their views about any challenges encountered in delivering the funded work: *'there needs to be a really open and honest conversation about what is this relationship, what are the boundaries of it and what are the expectations of it and how are we going to know that it's working'*. Where engaged relationships had been developed, interviewees felt more comfortable discussing challenges and changes in their work; they therefore found these relationships more useful: *'I know I can go to them at the end of the first year and say that this isn't working ... they'll trust us to know our work and understand that sometimes things don't happen first time'*.

Finally, long-term relationships help to ensure that the personal contact, knowledge and history are usefully built upon and not lost. In developing such relationships, interviewees also identified a need to consider the level at which relationships are held between funding and grant holder organisations.

UNHELPFUL RELATIONSHIPS

Whilst the majority of experiences we heard about were positive, there were examples of difficult or unhelpful relationships with trusts and foundations. Interviewees spoke about unclear expectations and interference from funders, as well as the high transaction costs of managing relationships (see case study three).

CASE STUDY THREE: MANAGING FUNDER RELATIONSHIPS

One interviewee described their frustration in trying to maintain a positive and useful working relationship with their funder. The organisation had been funded for a number of years by this foundation, but a change in staffing had led to relationships deteriorating:

'I felt that we had a poor advocate and we had to do all the work, it was so much effort trying to explain what we are and what we do.'

To the interviewee, it seemed that the funder was preoccupied with following processes – *'they are not much interested in discussions but more paper based'* – and managing risk, thus leading to a lengthy application process. For example, the funder had raised queries about the sustainability of the organisation in the new policy environment; at the same time the organisation was trying to reposition itself following the change of government: *'we should have been making strides with policy lobbying about this, it was such an opportunity and would have made our work more sustainable anyway'*. Instead, *'we were left scrambling around for core funding'*. In the end, the organisation used its reserves to continue with lobbying work and made some staff redundant. Eventually, the grants process and queries about risk and sustainability were resolved, but the interviewee has not received any personal contact from the funder, which had left them feeling uncertain of the future: *'we have no idea if the funding is safe or if we've got a chance to do anything else'*.

Grant holder relationships with funders varied enormously; this made it difficult for them to know what was expected in any specific relationship: *'it is so hard to know what the rules of the game are – is it okay to chase them or are you pestering?'* Indeed, our interviews showed considerable differences in relationships within funders – for example, two interviewees gave very different accounts of the same funder:

'They spent lots of time with us working through the application and the project aims, etc. It really felt like we were working with them.'

'They were extremely hands off.'

There was widespread acknowledgement amongst interviewees that developing engaged relationships can be challenging as well as time consuming for both funder and grant holder:

“ We were asked to account for a 95p under spend on a budget line. That kind of micro management comes when people don't really know what they are doing.

'At its worst it's micro management – with [funder] we had six emails about whether we could buy a computer for £450 or £550! Every little thing was queried.'

SUMMARY

Our findings show a clear preference amongst grant holders for relationships with funders that are face-to-face, open and based on mutual trust. Interviewees expressed appreciation and praise for those that already worked in this way. Conversely, where relationships were less engaged, we found that the power imbalance gave rise to contradicting expectations and types of relationships amongst grant holders.

In the current highly competitive environment there is a perceived need for funders to develop honest relationships with grant holders that enable them to feel safe and secure and therefore able to discuss the development of their work and organisational needs. Developing such relationships might also reduce the time currently spent by interviewees on the *'careful management'* of funder relationships and thus free up time for both delivery and development of organisational direction.

THE 'ADVOCACY' ROLE OF TRUSTS AND FOUNDATIONS

The grant holders we spoke with highlighted the independence of trusts and foundations, believing that such funders were perhaps more able to respond to real need and fund in a way which fits closely with the values of the voluntary sector:

“ Trust money allows the voice of users to be heard and gives organisations freedom from politics. Trusts don't tell you what you **have** to do, they ask what you **want** to do and give you the money.

Trusts and foundations were also described as operating outside political agendas, and therefore able to provide a *'counterpoint'* to government policy.

We heard of interviewees' desire for funders to use their independence, brands and 'power' to advocate on behalf of grant holders or the wider voluntary sector. In particular, interviewees believed that trusts and foundations could advocate to government (central and local) about the withdrawal of funds and the consequences of the cuts in public spending: *'funders should be saying to government: "this is all wrong, this is what we are doing, what are you doing?"'*

Whilst it was understood that many funders would not replace the loss of statutory funds, interviewees thought that the overview that trusts have of the political and funding landscape might be used to make a case to policy makers, local authorities and others about the effect of cuts on the voluntary sector and the beneficiaries that they serve:

'Trusts and foundations have clout and they have funding available. They could talk to foundation trusts (health service trusts) and with the third sector, bring heads together and collectively try and build projects. Collective strength could develop projects which could make a difference and lasting change rather than patching up the cracks.'

Caution was expressed, however, about trusts and foundations engaging in issue-specific advocacy work; interviewees talked about their preference for funders to take a facilitative role in these areas, supporting grant holders to carry out the work rather than delivering it themselves: *'they [funder] shouldn't just go off and do something themselves as they need to talk to us ... in a politically charged and sensitive area, they need to give us a platform and this gets a bit confusing for them and is worrying for us'*.

In the light of a pressing need for someone to speak on behalf of the voluntary sector, interviewees hoped for opportunities to discuss the role of trusts and foundations in engaging in such activity. The interviews carried out for this study were spoken of as a useful means by which to 'help funders be more aware of the national and local climate and the effect it's having on us, so that they are better able to fund in a way to support us and those we work with'.

GRANT-MAKING PROCESSES

We spoke to interviewees about grant-making processes, discussing their experiences of applying for funding and grant reporting, and asking about ways in which they felt such processes might be developed to better suit the needs of voluntary organisations. Below we outline the findings in relation to application processes, grant assessment and decision making.

APPLICATION PROCESSES

Interviewees would like to see application processes that are transparent, appropriate and proportionate to the grant applied for. Broadly speaking, this was described as a process that facilitated personal contact (preferably face-to-face) and had two stages: a quick first stage application followed by more in-depth discussions at the second stage. At all stages – prior to application and during – interviewees would like to be able to speak with grants staff; they believed that this might also benefit funders, since applicants would have a better understanding of funder requirements:

'Each trust is different and it's important to know what they are interested in. It's incredibly helpful to speak to someone and get a clear indication of what they want and need.'

Where possible, interviewees would like to see greater standardisation of processes: *'it slightly annoys me that all trusts have a different application form. It would be nice if there was a standard profile or something that they would all accept'*.

Turning to the issue of transparent and appropriate processes; we heard numerous examples of the difficulties caused by lengthy timescales for deciding whether to fund an organisation:

'I sent the application in January and had a quick response to say we passed the first stage but then it will be June before the next decision is made ... You are in financial crisis by the time the decision is made, or you get multiple streams saying yes, then you've got too much money for the same thing, or the answer is no and six months down the line you have to start again. It can be 12 months before you get it sorted.'

In some instances, the initial need for funding had passed by the time the money was received: *'they [funder] first approached us in 2007 and we finally got the agreement that we could have the money in late 2009 ... it meant that we were struggling with a grant that was two years out of date. If I were to have written the application again in 2009, I would have written it very differently'*.

The overriding message was that it takes a considerable amount of time and effort to submit an application. Whilst interviewees recognised the importance of the application process, they would welcome one that is more proportionate to the amount of money being asked for: *'it's a massive amount of work and takes us away from the actual work we're supposed to do'*. Some of our study organisations found the complexity and lengthy (or unknown) timescales of trust and foundation applications off-putting, with smaller organisations in particular struggling to balance applying for funding with delivering services.

GRANT REPORTING AND MONITORING REQUIREMENTS

Interviewees described grant reporting requirements as disproportionately time consuming; they were often frustrated by not knowing how, or if, the information provided was used:

“ We often spend a lot of time reporting and then the funder simply says the cheque is in the post.

As with application processes, we found a general appetite for monitoring and reporting processes to be proportionate to the work being funded, as well as practically useful. Interviewees would also like funders to use reporting as a means to support them in developing their work and sharing learning with other grant holders: *'I would rather make it useable so it will increase the public's knowledge of what we're actually doing rather than lots of facts and figures'*. As discussed on page 17, many organisations were finding it hard to articulate the difference their work made, despite feeling pressured to do so by trusts, foundations and other funders. There was, however, recognition that some funders were more open to developing joint approaches to monitoring and reporting and more comfortable than statutory funders with the risks of pursuing social change or 'soft' outcomes. Funders such as these were still the exception rather than the rule.

ADAPTING GRANT PRACTICES AND PROCESSES

Our findings appear to suggest that trust and foundation approaches to assessment, reporting and decision making can cause active difficulties for voluntary organisations. Interviewees would like to see the development of approaches that reduce the burden on applicants or existing grant holders to provide evidence of their success in applications or reporting. They believe this might be achieved through the development of personal relationships and better knowledge by funders of applicants' and grant holders' work. In some ways, the preferences expressed by study participants might be seen as a desire to bring together funding practices and funding plus at an early stage in the process – in other words, from the application stage – in order to provide a more integrated and supportive experience, in which both parties can be honest about their needs. Interviewees stressed that the current climate perhaps called for different measures in order to ensure survival:

'[We need] the support of a funder who is supportive of change and understands the complexities of the environment we're in.'

'Funders need to help. Part of their mission is, surely, to help organisations avoid the icebergs.'

Interviewees were unclear how far the responsibility of funders extended beyond the grant. Some expressed a desire for funders to have exit strategies, helping grant holders to line up or secure future funding before the grant ends: *'before they leave, part of their legacy would be to bring in other funders and engage them in the area of your work'*. It is worth noting that these perspectives of grant holders may need to be set against the operating reality for many foundations who also need to manage large number of applications and grants.

COLLABORATION BETWEEN FUNDERS

To our study organisations, the idea of 'more joined up approaches' seemed sensible and potentially beneficial; a number of them were curious about how little shared activity there appeared to be amongst trusts and foundations. We talked to the six participating trusts about collaboration between funders. During the set-up interviews for the study, a number of funders had described their frustrations with trying to work in partnership, through pooled funding or other joint initiatives.

Trust interviewees identified five main reasons to engage in collaboration with other funders. For some, collaboration was used to develop a collective approach to shared issues or to share learning (about a topic or funder practices):

'It challenges your own thinking; we've done it this way because we've always done it this way, but actually sitting round a table with a bunch of other people who do it differently gives you an opportunity to think about doing it differently, and be challenged; be open to be challenged.'

Others felt that collaboration helped to share risk; some trustees feel more comfortable when partners with expertise in a particular area are involved in new initiatives: *'I don't think we could go back now to just us working in isolation because it has enriched our grant-making ... but it is about being able to identify issues with other funders; it is actually being able to bring that expertise and use our expertise for people and it is about being a much better funder'*.

Funders also talked about collaboration in terms of quite pragmatic reasons of efficiency and common sense: *'we all ask slightly different questions and ask slightly different things but we want to achieve the same thing in the end ... it seems to be a huge waste of resources doing it all on our own'; 'we felt that £1 million per annum would be better than half a million. They brought particular skills such as facilitation, and evaluation. We felt that doing it together would create a bigger and stronger programme than doing it apart'*.

Finally, some viewed collaboration as being connected with an idea of 'responsible' funding: *'there is a corner shop mentality that small is beautiful and independence is beautiful. Actually, if you are doing the same thing as other people are doing, but doing it in your own way, making a huge fuss and obsessing with giving small grants is a little self indulgent'*.

A number of factors conducive to successful collaboration were identified, including:

- A shared purpose and rationale for working together; the case may need to be strong as 'it's a lot quicker and easier not to collaborate'
- Clear leadership: with delegated authority to named individuals to make decisions (including those about money), supported by a steering group with representatives from all parties
- Trust: most collaborations we heard about were between funders who already knew each other
- Elements of similarity and difference to enable working together to be easier (for example, as a result of having similar processes and cultures) but also to provide the opportunity for learning to happen (through having different areas of interest or ways of doing things).

We also heard about the challenges of collaboration. For some, problems arose when individuals struggled to give up power and egos overtook the process of working together:

'People are just not able to communicate and are used to doing their own thing and their communication skills are so poor and it's to do with their ego. They want to have the power of everything ... I just can't go through that again – it's too stressful to try and work with someone like that.'

For others, the time and resources required in reaching consensus and reconciling different processes acted as a deterrent:

'When you start, it starts off fine and you have joint interests initially, but as soon as you get to the formal collaboration part, it becomes difficult as you have different boards and structures and different ways of working and then you have the lawyers getting involved. At one point we had 15 different sets of lawyers looking over the collaboration agreement.'

Discussion

In Part Two of this report we set out the findings from our interviews in relation to the overarching aim of Recession Watch:

To generate and share learning about changes in grant need (primarily amongst voluntary organisations working in and around the social welfare field) and grant-making in the context of a rapidly changing and challenging policy and funding environment – with a view to modifying or changing practices and relationships.

In this final part of the report, we discuss the implications of these findings for the six participating funders as well as for other trusts and foundations. We begin by exploring the notion of funders' 'duty of care', before focusing on five areas:

- Relationship-building
- Application processes
- Additional support
- Targeted funding
- Reporting.

Our discussion builds on the study findings set out in Part Two, our own and others' previous work in this area, and points made at a meeting of the six participating trusts.

A 'duty of care'

Through this study we have been able to shine a light on the struggles and changes taking place in social welfare voluntary organisations, one particular sub-set of the organisations funded by the six participating trusts. We have described their resilience and determination, as well as their anxieties and fears. Of the 59 study organisations, few, if any, expressed much confidence about their future. Although we might expect social welfare voluntary organisations to be familiar with a degree of uncertainty and unpredictability in their work, our findings suggest that, for many, the challenge of survival is overshadowing any opportunity, or even inclination, to think more strategically about organisational purpose and future. Furthermore, for those organisations that have the capacity and space to engage with forward thinking, the availability and quality

of voluntary sector infrastructure support is generally patchy. The net effect is that many organisations are struggling with complexity and distress on their own.

Our findings have also highlighted the important role that trusts and foundations play in supporting these organisations, as well as the possible need for changes to funders' practices. Much of what we have described, perhaps inevitably, relates to the short-term, with a focus on immediate and urgent requirements and adaptations. This highlights one of the challenges currently facing trusts and foundations: how best to achieve a balance between short-term funding measures – to shore up essential services – and more forward-looking approaches that are designed to support the longer-term development of voluntary organisations and their activities.

For the funders involved in this study, most of whom have been engaged in grant-making for a long time – as well as colleagues within the wider membership of the Association of Charitable Foundations (ACF) – it might help to shift our lens a little. For, although a number of the practical suggestions made by our study participants relate to current grant-making, any significant changes will need to be guided by longer-term thinking. We would argue that central to such deliberations might be a simple question: What kind of voluntary sector do funders want to see 10 years from now? And, linked to that, what will the practices of trusts and foundations need to look like? Exploration of these two key questions may help funders reach decisions about whether, and how, to adapt – now and in the future.

In tackling these questions and making their choices, trusts and foundations will need to be mindful of the importance and value placed on them by voluntary organisations and, by implication, their beneficiaries. Those expectations might be viewed as perfectly reasonable; after all, it is through the medium of voluntary organisations that many funders are able to tackle poverty, support the most vulnerable in society and achieve social change. The health and wellbeing of those organisations is, therefore, of direct concern and importance to trusts and foundations. If funders are prepared to accept the idea of having a 'duty of care' (both to provide public benefit and to their ultimate beneficiaries), it would also seem reasonable to expect them to make grants a positive experience for

grant holders, rather than operating in ways which set people up to fail, or that privilege their own demands and systems over the circumstances and capacity of the organisations and individuals they are trying to reach. Such a mindset might more easily accept the possible need for some of the changes and adaptations prompted by our study findings. In particular, we consider five distinct, but related, areas:

- Relationship-building
- Application processes
- Additional support
- Targeted funding
- Reporting.

Relationship-building

For the duty of care to be enacted responsibly and productively, our findings suggest that relationships between funders and voluntary organisations are of critical importance. Many of the problems and concerns highlighted by our study participants can be linked to shortcomings in relationships; conversely, the more positive experiences are generally characterised by a sense of deep engagement. In our earlier work on ‘funding plus’¹¹, we concluded that positive and productive relationships between funders and voluntary organisations were facilitated by a high degree of emotional intelligence on both sides. Effort and skill is required to make them work; for funders, therefore, a conscious decision to engage in this way may need to be made to ensure that the appropriate amount of time can be invested in building the relationship (for example, to enable more visits to take place). Conceiving of the interaction between funders and voluntary organisations as relational, rather than contractual, can help to develop trust, foster openness and create a virtuous circle in which both parties are better able to realise their goals. More specifically, the benefits for funders include the opportunity to secure good knowledge of what and who they fund, enabling them to develop both a more sophisticated understanding of grant holders – their context and purpose; the nature of their work; their aspirations and the challenges that they face – *and* the ability to make more informed judgements about what kind of funding – amount, duration and terms – is required. Where relationships are not forming in this way, if time is not taken to build a mutual understanding of each other’s agendas and needs, it seems reasonable that the responsibility for taking action to remedy this should rest with funders as the more powerful partner.¹²

Application processes

The introduction of standardised application forms across different funders seems unlikely. However, our findings do argue for a greater degree of consistency to the process of applying for funds from trusts and foundations. In particular, funders might give consideration to: ensuring that their information requirements are justified and proportionate to the size of grant on offer; avoiding unnecessary ambiguity about organisations’ prospects of being successful with their application; diverting resources to enable more direct contact with applicants; recognising the limitations of online processes and potential for these to exclude some groups or organisations; and, finally, minimising uncertainty and anxiety for applicants by reducing waiting periods for decisions.

While it is important to recognise that funders have limited capacity, as well as their own reporting and scrutiny requirements, it seems appropriate for the party with the most power to exercise it carefully and responsibly. For many of the organisations in our study, trust funding is a lifeline, often making the difference between survival and closure. Given that, and the argument for a duty of care, it might reasonably be suggested that the bulk of the burden should fall on the funder rather than applicants or existing grant holders. If one of the core purposes of grant-making for the trusts participating in this study is to enable voluntary organisations to tackle hardship and disadvantage, it seems counterproductive for application processes to be demanding and daunting. At a time of organisational instability and uncertainty, trusts can be seen to have a duty to behave sensitively and flexibly.

Additional support

For funders, the anxieties and concerns expressed by many of our study participants raise serious questions about their role and contribution above and beyond grant-making, more specifically: whether and how to engage with funding plus. Building on our earlier work in this area¹³, we can identify three key issues for consideration.

To inform thinking about the focus and method of additional support, funders will need to think about its purpose. In particular, is it to strengthen individuals, projects, organisations, or a combination of all three? This kind of deliberation would, ideally, involve grant holders, although that approach will also require careful consideration. For vulnerable and anxious staff within voluntary organisations, there may be a tendency to avoid drawing too much attention to organisational problems and shortcomings. This mindset, whilst

understandable, jeopardises the potential of additional support to be useful and relevant: for it to work, the process of diagnosis needs to be thorough and honest. There may be a need, therefore, for funders to think carefully about the knowledge and skills required for their staff to work in this way: what do they need in order to make accurate and appropriate decisions about who gets what support? Linked to this, do grants officers (generally, trust staff with the most direct contact with grant holders) have the necessary autonomy to develop fully engaged relationships and make decisions about allocating resources for additional support?

There is also the need for careful consideration about the delivery of additional support. Difficulties can arise from funders providing support themselves, including: excessive interference in the work of grant holders; an unhelpful blurring of relationships; and threats to organisational independence. A funder's role might be better understood as facilitative, an approach that might fit best if the decision to offer additional support is framed within the principle of a duty of care, as outlined earlier. If funders are committed to doing everything they can to prevent their grant holders from suffering or failing, then it is appropriate to draw on all their assets to ensure that grants have a positive effect. In turn, decisions about the method of additional support might need to be determined by consultation with grant holders.

Finally, the findings outlined in this report raise searching questions about the 'advocacy' role of trusts and foundations. Although there may be some reluctance to engage in direct lobbying – for example, about local authority funding decisions – our findings do make a case for funders to think carefully about using their influence (through their status, brand and networks) to stimulate and facilitate debate and action about wider issues, such as the role and contribution of voluntary organisations to social care and welfare. This convening role can be very effective, so long as it is carried out in a respectful way; any attempt to force and foist agendas is likely to be counterproductive.

Targeted funding

The findings presented in this report make a strong case for a greater concentration of funding in specific areas. It is unlikely that funders will want to commit all of their investment to targeted initiatives at the expense of more responsive and flexible grant-making, and some may be concerned about the implications of targeted approaches – for example, the risks of it being perceived as exclusive, unfair and inequitable for organisations and settings not selected for investment. However, our findings suggest that there is a need for giving careful consideration to three possible options for targeted

funding: focusing on smaller organisations; localised funding; core funding.

FOCUSING ON SMALLER ORGANISATIONS

Smaller organisations in our study (with an income of between about £50,000 and £150,000) are facing particular challenges in navigating their way through increased demand for their services and increased competition for fewer resources. For these organisations, there will be a tipping point beyond which they may struggle to provide quality services to vulnerable people; indeed, this was very much a concern for interviewees.

The issue here is about maintaining the health and wellbeing of organisations in order for them to function responsibly and effectively. For individuals within those organisations, continued stress and pressures may lead to loss of staff and further deterioration of services. A consequence of weaker organisations will be fewer needs being met, thus leading to further increases in demand. Smaller social welfare voluntary organisations play a critical role in the social fabric of local communities; they may require more dedicated and strategic attention in order to survive.¹⁴

LOCALISED FUNDING

Our study highlights particular concerns about the effect of the extensive closure of services in already deprived localities. Remaining voluntary organisations in these areas are stretched to capacity and struggling to continue. One implication of this is the need to fund in a way that takes into account local context, is long-term and strategic. We appreciate that some funders (including those involved in this study) already have experience of this kind of approach and will have different ideas about how successful it can be. We also recognise that localised funding and intervention cannot be undertaken lightly; it requires serious intent and commitment before significant benefits can accrue. For these reasons, it might be preferable to test the waters with a pilot localised fund.

CORE FUNDING

We found overwhelming enthusiasm and need for core funding. It can give organisations the breathing space needed to assess (or reassess) their positioning and future direction in the 'new' and challenging environment; it can also enable them to take up opportunities and engage with support provision – for example, in the areas of strategic development or impact assessment – and thus become better able to answer their own organisational dilemmas and questions in the future. In this way, core funding contributes to a virtuous circle of reflection, learning, planning and action. If the concern of funders around social welfare is about the availability of relevant and useful services, delivered to a high standard, then it would seem that the provision of core funding might currently be more appropriate than project funding.

Reporting

Finally, our findings highlight the importance of funders thinking carefully about the rationale for their reporting requirements. One possible approach is to adopt a simple principle: reporting requirements need to justify themselves. In other words, unless information is going to be used and/or applied (for example, to account for money or to identify additional needs), it might be regarded as redundant and therefore unnecessary.

There may also be an argument for reopening the debate about reporting within the wider ACF membership in order to consider what information funders really need and why, as well as how this information is being used. We heard too many examples of grant holders spending considerable time and resources on reporting to funders, only to receive a pro-forma email reply and no further discussion about the work. At the very least, it would seem that grant holders would like the opportunity to make reporting useful – a mechanism for occasional review, reflection and learning about how to develop their work. For this to happen, it might be appropriate for funders to distinguish between compliance and learning. Here, ‘compliance’ relates to the formal accountabilities associated with receiving and spending grants; as suggested above, these could be proportionate, kept to a minimum, with an emphasis on eliminating details which have no purpose or use.¹⁵

In relation to learning, the evidence generated by this research suggests that there is a genuine willingness and appetite amongst practitioners to engage in debates and inquiries about their practices and the difference they make. To support this process, it may help to shift the language in this area away from contested and ambiguous terms – like ‘impact’ and ‘effectiveness’ – towards talking about ‘difference’ and ‘change’. The challenge will then be for funders to create more learning opportunities for grant holders that are meaningful, appropriate and useful. This may be an area in which funders can build on their relatively unusual position of having an overview of frontline activity in specific settings or with specific groups in order to bring voluntary organisations together with other voluntary organisations, *and* with funders, to explore shared issues.

Concluding remarks

The picture painted by our study participants is bleak. The gradual dismantling of local support services; an increase in deprivation and complexity of need; apparently random decision making by public agencies – all of these factors are having an adverse effect on the ability of social welfare voluntary organisations to meet the needs of local people. This is of direct concern to funders: if the organisations that they fund and support begin to crumble or collapse, the real benefit of that funding might come into question.

We have concluded that the notion of a ‘duty of care’, with engaged relationships at its core, might be an appropriate way of framing the responsibilities of funders to the organisations that they fund, and of helping them explore how their multiple assets can be deployed both to support organisational stability – necessary for the retention of key local services – and to achieve more profound and lasting change.

We hope the findings presented in this report and the discussion points will stimulate debate, both for the trusts participating in our research *and* the wider ACF membership.

Endnotes

- ¹ www.hm-treasury.gov.uk/spend_index.htm
- ² National Council for Voluntary Organisations (NCVO) (2011) *Counting the cuts: The impact of spending cuts on the UK voluntary and community sector*, London: NCVO
- ³ Charity Commission (2010) *Charities and the economic downturn: 4th economic survey of charities*, London: Charity Commission
- ⁴ Price Waterhouse Coopers (PWC), Charity Finance Group, Institute of Fundraising (2012) *Managing charities in the new normal – a perfect storm? The latest instalment in the series of ‘managing in a downturn’ surveys*, London: PWC
- ⁵ See note 2
- ⁶ NCVO (2012) *Charity workforce shrinks*, NCVO press release, 9th January 2012
- ⁷ Jenkins, R. (2012) *The governance & financial management of endowed charitable foundations*, London: Association of Charitable Foundations
- ⁸ Ibid
- ⁹ Association of Charitable Foundations (2010) *Trust and Foundation News*, December 2010, London: ACF
- ¹⁰ Number of grant holders by trust: Comic Relief (8); Cripplegate Foundation (10); The Diana, Princess of Wales Memorial Fund (10); Esmée Fairbairn Foundation (11); Henry Smith Charity (10); Tudor Trust (10)
- ¹¹ Institute for Voluntary Action Research (2011) *Beyond money: A study of funding plus in the UK*, London: IVAR
- ¹² For a discussion of the importance of trust in funding relationships, see: Patrizi, P. and Thompson, E.H. (2011) ‘Beyond the veneer of strategic philanthropy’, *The Foundation Review*, 2, 3, 52-60
- ¹³ See note 11
- ¹⁴ An interesting recent example is described in Daniel, P. (2012) *A story of what otherwise might not have been possible: The case for small grants*, London: Helen Tetlow Memorial Fund
- ¹⁵ The work of the Scotland Funders’ Forum provides a useful, practical example of such an approach: <http://scotlandfundersforum.files.wordpress.com/2010/09/harmonising-reporting-working-group-report.pdf>

List of interviewed organisations

Advocacy in Greenwich	Kinship Carers
African Community Advice North East	Little Angel Theatre
Brook Pennine	Magpie Dance
Brunshaw Action Group	Manchester Young People's Theatre Ltd
Burngreave Messenger Ltd	Mind: Ulverston
Burnley, Pendle and Rossendale Council for Voluntary Service	Minik Kardes Day Nursery
Castlemilk Youth Complex	New Dawn, New Day Ltd
Centre on Migration, Policy & Society (COMPAS), University of Oxford	Oval House Theatre
Citizenship Foundation	Peter Bedford Housing Association
Coalition for the Removal of Pimping (CROP)	Platform 51
Colne Open Door Centre Ltd	Quaker Social Action
Coventry Rape and Sexual Abuse Centre (CRASAC)	Refugee Week
Cranstoun Drug Services	Rotherfield St Martin (RSM) Centre
Culpeper Community Garden	Ryedale Counselling Service
Family Action Islington	Scottish Refugee Council
Four Groves Community Association	Self-Injury Support in North Cumbria
Freedom from Torture (Medical Foundation for the Victims of Torture)	Single Homeless Project
Gatwick Detainees Welfare Group	St Mungo's Community Housing Association Ltd
Greater Manchester Immigration Aid Unit	Streetlife, Blackpool
HARV Domestic Violence Team	Survive
Helena Kennedy Foundation (Article 26 project)	The Claremont Project
Help on your Doorstep	The Parent House
Home-Start Torridge	The Relationships Centre
Home-Start Wolverhampton	Urban Hope
Huyton Parish Family Welfare Fund	Vine Day Centre
Immigration Law Practitioners Association (ILPA)	Vision Housing Consultancy Services
Islington Law Centre	Wai Yin Chinese Women Society
Karma Nirvana	Wellbeing Project CIC
Khulisa UK	Welsh Refugee Council
	Working With Men

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