ACF CONFERENCE – NOTTINGHAM 8 April 2003

BETTER GIVING IN A CHANGING WORLD – SETTING THE NATIONAL SCENE

When my brief for this session was sent to me last Friday I saw that I was being asked to consider:

1. *How the funding landscape is changing at a national level?*
2. *How can funders respond to and/or shape those changes?*

…and that 5 specific questions were posed:

1. *Has devolution in the UK impacted on how communities are funded?*
2. *How do the various governments respond to the issues raised by grass roots activists?*
3. *How can trusts develop funding programmes which respond rapidly to new needs?*
4. *Could making loans, supporting social entrepreneurs, investing in social businesses really make a difference?*
5. *Do trusts have a role to play in lobbying government? If so, how can they do this effectively?*

As my answer to the first two was 'I don't know' and to the third 'I'm not sure' I realised I might not have the credentials to be the speaker the conference organisers had in mind when they were looking for a replacement for Angela!

I've also been taught – the cost being some bruises – always to preface any discussion about Trusts and Foundations in the UK with the warning that one must not generalise about them because of their diversity – in size, organisation, interests and priorities, processes and ways of working. Make any generalisations about Trusts and Foundations and immediately there's a chorus of 'it doesn't apply to us'!

BUT there is one generalisation that it is reasonably safe to make about UK Trusts and Foundations at the moment – and which applies to nearly all of them; and that is that all of their income streams are in decline:

- equities – their value and likely levels of future dividend income
- the latter also affected by ACT transitional relief being now into its last year and almost gone (unless the Chancellor does something exceptional tomorrow!)
- the bonds that are up for sale this year are high earners compared with ones that are available to buy
- deposit rates very low
- property may have been holding up – but now rental levels are sagging and prospects are uncertain.

So, even if there was nothing else around at present to encourage Trusts and Foundations in the UK to have a thorough think about how they can best use their resources to achieve their charitable purposes (and the programme for this conference demonstrates that there are a lot of ideas and issues to debate), a drop in assets and distributable funds might focus the mind! One key aspect of the national funding landscape of ACF members that is changing, therefore, is their own finances. I'm not an investment expert so will offer no advice in this presentation as to how Trusts and Foundations can restore their ordinary investments to health; but I will make some recommendations as to other sorts of investment they could make – in knowledge, staff and their funding policies – in response to the changing financial landscape.

So – to the questions in my brief.
1. *Has devolution in the UK impacted on how communities are funded?*
2. *How do the various governments respond to the issues raised by grass roots activists?*

These two reminded me of early days in my time with 2 of the trusts and foundations for which I have worked, well before devolution:

1. Very early in my time with the Baring Foundation I had an encounter with my most fiercesome relative, my mother's cousin, a formidable Glasgow dowager. She was keen to point out, forcefully, that the Foundation was a liar. We claimed to fund national organisations but had not supported the RSSPCC (the Royal Scottish Society for the Prevention of Cruelty to Children) – we were "just like those big corporate donors" she boomed "who sit down in London – or even worse, in NYC – and reckon they have done their bit for the whole UK when they make a donation to an organisation with the word national in its title; by national they mean England" (and, she rather grudgingly acknowledged, sometimes England and Wales). And, she crushingly finished, "you haven't even got their excuse as you are not stupid." So was the Baring Foundation's grant programme for Scotland born.

2. And when I made my first visit to NI as Director of HACT I recall vividly the then boss of HA's in NI screeching to a halt at fifteen minutes to midnight outside a rather grand house in a leafy part of Belfast, rapping on the door and then having a ten minute chat on the doorstep with a distinguished looking man in a rather elegant dressing gown. When he came back to the car I learnt that I had just been watching some negotiations with NI Housing's most senior civil servant in his night clothes. In England there would have been a wait of several months for a meeting with that civil servant's equivalent – and then he would have substituted a junior person at the last moment.

A couple of illustrations of how different the funding landscape can be – and has always been – in the four countries of the UK.

But it's obviously not just the funding landscapes that are different – the political, social, cultural and structural environments within which funding transactions are made are also very different – and shape what's possible, what can be done and how to get things done. Being able to read the map – or to hire a local guide – is clearly a critical step for any funder with serious ambitions to take when they venture out of their own country – or try to answer the two questions I've started with.

It's also important to emphasise the related point, that the funding environment and landscapes are not just different between the countries, but there is also huge diversity within them – diversity between rural and urban, between one region and another, diversity within one city, in the social structures, cultures, faiths, ethnicity to be found there.

So if a Trust or Foundation aspires to help organisations or people to make positive changes in their circumstances, to create or seize opportunities, to form alliances within their physical communities or communities of interest or identity, they have to invest in some map reading, in understanding the 'geology', as it were, of the landscape upon which they plan to venture.

And to keep up to date – the one certainty about the funding landscape in all four countries is that it is different now than it was last time ACF had a national residential conference and that it will have changed again before the next one in ways which will have impact on how Trusts and Foundations can most effectively use their funds to tackle their charitable purposes.

First Investment tip: Invest in Good Maps and Navigators

So to the third question:

3. How can trusts develop funding programmes which respond rapidly to new needs?

Well, first of all, spot them coming – so keep the antennae flapping and stay well informed about what is happening in the areas of the country or of policy that you seek to target with your resources.

But rapid response may also be more fruitful if it is collaborative – I know the cliché is that it's quicker to do it yourself, but it may be worth mentioning the only formal example of large scale UK funder collaboration that I can think of (large scale in terms of the number of Trusts and Foundations that pooled their funds), the (very rapid) setting up of the Charity Know How fund in response to the dramatic changes in Eastern Europe and the Former Soviet Union a dozen years ago.

The argument that UK Trusts and Foundations should make an exceptional response to the need to support civil society and social justice in those countries at that extraordinary time was a powerful one.

Each trust could have done its own thing – the normal practice, do your own R&D (usually consulting the same people) and then come up with a small scale programme not much different from that of several other Trusts and Foundations.

Or Trusts and Foundations could get together and form a consortium with a single programme, access point, and joint decision making. There were some powerful incentives to collaborate – not least the fact that none of us could claim to know anything about the target regions; also that our getting together led to every £ we contributed being matched by the government. Rapid response + an informed response + matching funds + a more cost effectively administered programme: 2+2 certainly added up to more than 5.

CKH was not, ofcourse, a response to new needs in the UK – though it did help create links between community group and voluntary organisations throughout the UK with partners in Eastern Europe and the FSU which persist to this day. But the logic of Charity Know How could apply when new needs emerge within the UK:

- Generalist funders could be more ready than they often seem to be to establish partnerships with and support specialists who are closer to the ground or the need.
- Or a group of funders with a shared interest could work together – at least sharing outreach functions or working through a common portal.

Investment Tip 2: Invest in 'pooled funds' when it's appropriate to do so.

4. Could making loans, supporting social entrepreneurs, investing in social businesses really make a difference?

A definite yes to this question – and what's more they already are; indeed, it's worth starting by emphasising that these are not brand new ideas.

A couple of actual examples from my own work experience – to show it's practice, not theory:

1. to illustrate that the VCS has always been inventive and entrepreneurial in the ways it has tried to look beyond grants, donations or contract fees for ways of undertaking the setting up or expansion of its work: my first job in the voluntary sector, 35 years ago – helping to run a project in a ramshackle farmhouse near Leeds for what we then called delinquent children and their families. To raise the funds we needed to extend and improve the building, however, we did something which did not at the time seem strange – we went to the see our local bank manager and persuaded him to loan the charity the funds. It did not seem a big deal – and, given all the other risks to which the shaky finances of the project were subjecting our trustees, it seemed a pretty safe way of getting the money.

2. and to show that investing scarce resources in projects that, if they work, may generate a financial as well as a social return is a long established – and honourable tradition! When I went to HACT 15 years ago I took on a balance sheet that was almost entirely made up of loans. Risky? Well, HACT works within a sector which develops tangible assets – housing for which the consumer pays a weekly charge, the rent. HACT had used some of its limited

funds to make loans – often small (£15,000 would be a big sum) to what at the time were fledgling housing associations, setting up some of their early schemes. The loans were very 'soft' – long term and at no interest; by the time they were due for repayment, the housing associations were thriving and increasingly asset rich – well able to pay back what was by then for them a trivial amount; indeed they were ripe targets for HACT to link the repayment to a request for a donation to help us to provide grants (and more loans) to new fledgling organisations, for example the BME led housing organisations that were emerging in the late 80's.

This use of loans to support new organisations to develop assets which – if they were successful – would in turn become financially self-sufficient and able to repay HACT's investment did not at that time seem revolutionary; for a trust without an endowment to provide income, it made sense as a way of supporting asset development – after all we borrowed to acquire assets in our domestic lives – why not do the same in our work? And it meant there was a reasonable prospect of the funds being reused and reused – as a charitable funder, we were making our own assets work harder and longer.

So there may be a buzz currently about loans, Programme Related or Social Investment, investing in social enterprise and so on – a welcome buzz, to my mind – but it ain't new territory for the voluntary sector or for Trusts and Foundations: it's just been a bit quiet for rather a long time!

It may be facetious, bit I do wonder if one of the reasons for this is that we are labelled Grant-Making Trusts – that's what the Directory of Social Change calls us; the Institute of Fundraising has just issued its code of practice on 'grant-making trusts'. We even do it ourselves – this conference is called the 'UK Conference for Grant Makers' and ACF's strap-line is 'Good grant-making paractice'.

If everybody – including ourselves – describes us as GMTs it's hardly surprising if that is all that we think can do! That's what we are called – that's what we do. But we don't have to do only that – for some projects and organisations at some points of their development, loans or other forms of Social or Programme Related Investment (though which the funder's charitable aims can be achieved and a financial return may also be generated) may be a better option. (And end up being less of a risk than Marconi or RailTrack!).

We are being encouraged to think through these options by the Charity Commission – they issued what they rather charmingly called Useful Guidelines (who would issue 'not very useful guidelines?) on PRI in 2001 – and have followed it up with more detailed and comprehensive guidance last October – this time called Social Investment.

Trusts and Foundations are not the only funders taking an interest in there being a greater range of ways of supporting charitable activity and community initiative; for example:

- the setting up of the Charity Bank – an extraordinary achievement which few would have laid bets on happening even 5 years ago
- community finance initiatives like the development of CDFIs and the new Investment Tax Relief that is linked to them
- CAF's Venturesome fund
- the Home Office's new Adventure Capital Fund and, hopefully, the Treasury's ***future* builders** fund, both demonstrating that parts at least of the Government recognise the importance of addressing the undercapitalisation of the voluntary sector – combined with the need to invest in increased skills and capacity if new forms of financial capital are to be well – and sustainably – used
- the demonstration – through share issues like those of the Ethical Property Company, Traidcraft and the London Rebuilding Society – that the spectrum of financing that can support community enterprise can be extended further to include yet more forms of investment – and new types of investor.

A busy – and I think challenging time – for looking 'beyond grants' – not instead of grants, but as well as grants. And sometimes a grant will be the best way a Trust or Foundation could help an organisation take on loans or other types of finance from other funders – a grant toward working capital or to strengthen an organisation's internal capacity may enable trustees and staff both to access a larger source of funds and to have the necessary financial competence, credibility and confidence to manage such funds.

Third Investment Tip: invest to help make your own – or others' – funds work harder.

Next Question:

5. Do trusts have a role to play in lobbying government? If so, how can they do this effectively?

To the first part – ofcourse; it can be a proper and effective way of achieving our charitable purposes. And to the second – lots of ways – certainly more than we do at present.

To be a bit less glib – and to acknowledge that a significant number of the most positive initiatives to tackle poverty, justice, health, education and social care needs, social enterprise and community regeneration result from the funds and support of UK Trusts and Foundations. I'd also observe that it is a very small number of Trusts and Foundations which, having supported a project or an investigation, have become prominent in a subsequent campaign and lobbying to address the policy lessons identified by the work. It does seem a bit illogical to support something which clearly demonstrates that X change in policy or practice is required – and then not follow through; if willing to invest in the first act – and you find it's OK, it seems curious to get up and leave and not see it through to the end. When Trusts and Foundations do get alongside the campaigns of organisations that they have supported, it can often make a considerable difference to the impact.

Furthemore, and this applies to all Trusts and Foundations, not just those willing to pop up above the lobbying parapet, we are not much good at investing in documenting the lessons learnt from what we have funded about what seems to work – and what does not. For much of the next couple of days there will be tons of oral information sharing going on here; why are we so poor at getting it on paper – or on the web? Then the work we have supported could be of value to others; in the USA foundations are now appointing specialist information managers – to help capitalise on the formidable amount of know-how practical tips about good practice, the wisdom that Trusts and Foundations can, inevitably, accumulate through the work that they do.
So, my fourth investment tip: Invest in Information and Knowledge Management.

And note the high profile of ACF members – or rather the staff of ACF members in consultations with the current Government. The Treasury's ***future* builders** programme, for example, an investment of £125M over 3 years in enabling the voluntary sector to increase the scope and scale of its work as a provider of publicly funded services: at least half a dozen CEOs and advisers to ACF members have been playing prominent parts in the development of that programme. The experience that they have gained as managers of funding programmes being used directly to influence the shape and direction of new government priogrammes. So, tip 5:
Invest in the Skills and Knowledge you already have.

And then there's the impact of the collective strength of Trusts and Foundations – within ACF or in groups, lobbying on behalf of the needs they support organisations to tackle – or about their own circumstances (for example the recent lobby of the Treasury about the Advance Corporation Tax relief transitional arrangements). I don't think we have done enough of the latter – and the difficulty the Treasury (and I think at times the Charity Commission) has in determining the particular financial circumstances of endowed charities is an indication of that. Our collective influence on national government – at Whitehall – is not as great as it could (should?) be. Tip 6:
Invest in Collective Action.

I started with a generalisation – about the tough financial times facing UK Trusts and Foundations. Maybe I could dare to end with two more about the changing landscape:

1. OK I got the national slot – but the global impact on what we do – and how we do it, is dramatically growing – just two of the many ways:

- there's more and more to learn from the experience of the community sector, and of those involved in social justice and civil society development in other countries. I emphasised the differences between the 4 countries of the UK – clearly there are immense differences between all countries and regions – but there's also lots to learn from outside the UK, from outside developing countries (and the web is making it easier to learn) – both about what other funders have discovered and what the organisations they fund. You found *Alliance* in your packs – that's the journal to read if you want to keep up with what is being learnt elsewhere – though I should admit an interest in that I chair the charity that publishes *Alliance*!)

- IT – the work of Trusts and Foundations has been transformed over the last 10 years by IT – and the transformation is speeding up. 5 years hence – I anticipate almost all communications with staffed Trusts and Foundations will be via the web; there will be common portals for accessing groups of Trusts and Foundations with common programmes who will also share processing, assessment and admin functions; eligibility will be sorted automatically and ineligible applicants will not be able to proceed beyond that point; much decision making will be by 'virtual' committee meeting; organisations that are being funded within the same programme will be able to access their part of the funder's website and share information with each other and with the funder, ask questions about what has worked and what hasn't, alert each other to new opportunities; the landscape within which organisations will engage with their funders will be a wholly different experience – both for the funder and the funded. It should be mutually beneficial – and therefore serve all our charitable aspirations – but **keep investing in IT (and Alliance)** is my penultimate investment tip.

2. Dependence – the debate about funding dependence is usually (and perhaps rather patronisingly) about funded organisations becoming dependent on funders – this is generally assumed to be a 'bad' thing. Surely there's a mutual (albeit different) dependence between Trusts and Foundations and the organisations that they support? The charitable aims of Trusts and Foundations are only achievable if the organisations you support deliver the goods. If they don't have the right combination of resources and skills, they won't be able to do so. It is in the interests of Trusts and Foundations to ensure that the resources are there – so my final Investment tip:
   Invest charitable funds to greatest long-term effect

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