

Trust and Foundation Project Report 2022

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Executive summary

As a local Welsh funder, the team at Community Foundation Wales is immersed within the Welsh third sector. It is important to us to provide the funding that is needed by groups in Wales to address the issues that are important to them.

Our grant team in particular has regular conversations with staff, volunteers and trustees who are looking for funding to help them to better serve their communities. It's vital that we act on what we are hearing and try our best to find solutions to the challenges we are hearing.

One of those challenges, the lack of funding coming into Wales, is the reason we established this Trust and Foundation project and therefore the focus of this report. It's an issue that isn't a new one to Wales, having been the subject of a number of reports in the past. We wanted to learn more from both Welsh third sector groups and UK Trusts and Foundations to see if we could identify the root cause and if possible, a solution.

National Lottery Community Fund supported us to work with UK based Trusts and Foundations, with Pears Foundation, funding an Action Learning element focused on supporting a small cross section of the Welsh third sector to pilot a different way of working.

Launched in early 2020, this project was affected by the Coronavirus Pandemic, which meant that we changed the way we worked with Trusts and Foundations to more of a desk-based research type approach and we delayed the start of the Action Learning project into 2021. Fortuitously, this new method of working, gave us the opportunity to take a deeper dive into websites, charity commission pages and annual reports of funders than we would otherwise have considered.

We discovered, very early on, something that was a consistent feature across the majority of Trusts and Foundations we looked at. Our research found that Trusts and Foundations in the main, only fund groups that are registered as charities and are unlikely to fund groups that are less well established and therefore smaller in size in terms of income.

In contrast, we know that the majority of Welsh groups are not registered as charities and are most likely to be very small and very local and therefore at totally the opposite end of the spectrum.

The learning from the research was backed up by the action learning project where, for a cross-section of groups, it was clear that they were ineligible for the funding on offer from UK based Trusts and Foundations.

As the most deprived of Britain's nations, at a time of severe hardship as the cost-of-living crisis begins to bite, it is important that we find a way to better support the sector that will hold our communities together.

We urge trustees / committee members and directors of Welsh third sector groups to consider the findings of this report, whilst undertaking a rounded reviewing their organisation from set up to future growth and longer term fundraising capabilities.

Think about if the structure of your organisation will sustain you and what you might need to do to ensure you are able to continue to serve your communities. In addition, we believe that key to any of this is building strong and meaningful relationships with others. Know where your strengths lie, share your skills and knowledge to support others, be honest and willing to learn from and lean on the skills of others where you need to, including working with a larger charity to take the lead on a project in partnership with you.

If you are a larger charity, do the same, consider what those smaller groups can do that are maybe more difficult for you, maybe using that local intelligence for example.

It's time to work together to create a more joined up Welsh third sector that values the work of others and embraces opportunities to work together.

Introduction

In 2020, with generous support and funding from the National Lottery Community Fund, Pears Foundation, Moondance Foundation and individual philanthropists, we created the Trust and Foundation project to help us to better understand the narrative that we were hearing time and time again when speaking with Welsh third sector groups and with funders based outside of Wales.

The recurring issues from these conversations were:

- Conversations with funders have indicated low representation from Wales within portfolios.
- Welsh third sector groups lack knowledge of available funding opportunities.
- Research shows that Wales is under-represented receiving less funding per head of population despite being the poorest area of the UK.

The Welsh third sector is losing out, but this isn't a new problem. In 2015, Garfield Weston Foundation produced a report - *An Insight into the Future of Charity Funding in Wales*. The research looked at the impact of government funding cuts on income and services and how organisations were addressing the issues arising from the changing funding environment. It aimed to provide an evidence base to inform the work of funders interested in supporting and strengthening the charitable sector in Wales.

In March 2018, following an inquiry and period of research and consultation, the Welsh Government published a report - [Building Resilience: Inquiry into non-public funding of the arts](#). This report addressed the challenges facing the arts in Wales to generate commercial revenue and increase income from trusts and foundations.

Both reports noted that the Welsh third sector was made up in the main of small to medium sized organisations. Both reports recommended that groups themselves needed to become more creative in how they run their services and should invest in upskilling their staff, particularly in terms of sourcing alternative approaches to income generation.

Both reports also made recommendations for funders, with Garfield Weston Foundation suggesting that funders consider additional support to improve the organisational growth needs of Welsh groups and Welsh Government calling for funders to be more balanced in their approach to ensure a more equitable spread of funding outside of London and the south east of England.

On the face of it, the challenge didn't look insurmountable. The Welsh third sector needed some investment to upskill groups in terms of organisational strength and improved knowledge of available funding. Along with an encouragement to funders to improve their portfolio spread of grants into areas of lower representation, you would have expected to see increased levels of funding coming into Wales and better connections between Wales and funders external to Wales. Unfortunately though, in reality the narrative we are still hearing has changed very little.

In our own research just prior to the pandemic, published in our [Loud and Clear Report](#) in September 2020, we again hear the challenges of applying to Trusts and Foundations. Of those we interviewed nearly half (48%) told us they don't apply to funders outside of Wales. Some claimed to have had zero success with minimal feedback, others said they don't know where to go to look for funding and also don't understand what funders are looking for.

What we learnt

Our Trust and Foundation Project sought to find out why the narrative hasn't changed and to identify solutions that will help the Welsh third sector to overcome the challenge.

Data on The Voluntary Sector Data Hub was key to increasing our understanding of the make-up of the Welsh third sector. Alongside this data, as part of the Trust and Foundation project, we undertook in depth desktop research of and conversations with approximately 400 funders their websites, Charity Commission pages and Annual Reviews. This research highlighted a challenge that hadn't previously been spotted.

Probably the most important find was that the majority of UK based Trusts and Foundations we reviewed - by majority we mean upwards of 95% - were only able to fund organisations that were registered with the Charity Commission as charities. There were a very small number that were also able to fund Community Interest Companies registered at Companies House with fewer still able to fund any type of voluntary organisations that were not registered.

The Data Hub information shows that Wales is served by nearly 42,000 voluntary organisations including charities, community groups, social enterprises, community interest companies, faith groups, housing associations, mutual organisations, voluntary organisations, community businesses, cooperatives and self-help groups.

Of these groups, only 6,995 are registered as charities with an address in Wales.



In addition, our research also showed that some funders have an income threshold, whereby they will only fund medium sized charities with an income of over £200,000 and often only funded organisations with a National/UK footprint. This was especially true of Trusts and Foundations funding into areas such as conservation, the environment and the arts.

The data on the Voluntary Sector Data Hub also helps us to understand the make-up of the Welsh third sector in terms of income, which goes some way further to explaining why the Welsh third sector isn't able to attract funding from Trusts and Foundations external to Wales.

86%

of voluntary organisations in Wales have incomes below £100,000

53%

are micro-charities with incomes of less than £10,000

33%

considered as small with incomes of between £10,000 and £100,000

Wales organisations that classify themselves as local - covering one county or less



25 organisations took part in an Action Learning element of this Trust and Foundation Project. Organisations were given an insight into how funders undertake their due diligence checks which proved to be really valuable for them.

They were each given the opportunity to build relationships with five different funders to learn more about available funding and eligibility criteria in a more targeted and cohesive way by where possible making contact with funders to have a conversation.

The experience of these groups backed up the learning above, especially the challenge of finding funding for groups who are not registered as charities.

”

As a CIC we have found it hard to find funders that we are eligible for. We took part to help find funders who support CICs but we are now considering if we should change to a CIO or a registered charity.

”

As a CIC we had a smaller pool of funders that we could approach.

Case study - Swansea MAD

Swansea MAD took part in the Action Learning project as a newly registered charity. The organisation was initially established as a Community Interest Company (CIC) in 2009, to provide free studio space, equipment and support to young people and musicians in Swansea.



In 2020, Swansea MAD became a Charitable Incorporated Organisation (CIO) based on the Board of Trustees' assessment of the organisation's objectives and activities.

Rachel Benson, Fundraising and Sustainability Director at the charity, confirmed that the new status has opened up more opportunities for them, not just in terms of attracting funding to help them sustain and grow services but also to attract additional support to develop and strengthen, often referred to as Funder Plus support.

The groups that took part in the action learning project also reported that it was often really difficult, and took considerable time to research websites of funders to find eligibility criteria, they also reported very low levels of engagement from funders. They noted that where this was good, it was very good, clear and helpful.

The Garfield Weston Foundation report, mentioned above gave a number of recommendations for funders to improve their support of the Welsh third sector including:

- Provision of development grants covering a wide range of organisational growth EG. Lloyds Bank Foundation now offers grants to support the development of charities often alongside other funding, although funding is only available for groups that are registered charities with income in excess of £25,000.
- Give clearer guidance on what is included in 'core costs' and the levels appropriate to include in funding applications EG. BBC Children in Need clearly defines the differences between project costs and core costs through separate grant programmes. Applicants can apply for one or the other, therefore they don't provide guidance on levels of core costs, but do state that BBC Children in Need grants cannot be used to support full cost recovery models.
- Work with infrastructure bodies to ensure they can provide full, up-to-date and accessible information on a range of funding opportunities, and signpost organisations on to other relevant sources EG. Funding Wales provides a library of hundreds of funding opportunities for the Welsh third sector. Charity Excellence provides an excellent funding finder database, as well as a online trustee governance and management checklist as well as a library of resources.

Conclusion

The learning from our Trust and Foundation Project, confirmed that more support was needed within the sector, in terms of advice and guidance, workshops and networking opportunities.

The learning helped us to shape a library of advice and guidance within our new [Grants Toolkit](#), which we hope will help groups when applying for funding not just from Community Foundation Wales, but also from other funders. It will also provide support outside of office hours, as we know that this is when a lot of people are doing their research and submitting applications.

The focus of Community Foundation Wales grant making work is on the smaller, grassroots organisations that are so abundant in Wales. We know the huge value of these groups within Welsh communities. As we saw first-hand during the pandemic, that they can be flexible and quick in their response to changing needs and are adept at doing a lot with very little. Lloyds Bank Foundation has carried out research into Small but Vital charities and gives advice on how to best support them.

The third sector is the glue that holds our communities together, it provides continued support where statutory services stop, it's flexibility and adaptability to the everchanging needs of local people, means that the focus is understandably on service delivery often to the detriment of the organisation itself in terms of strength of governance and future proofing.

More is needed to support these small groups, especially those not registered as charities, to ensure they understand the importance of giving consideration to effective governance, to fundraising and to upskilling staff and trustees for future sustainability.

What happens now?

We ALL have a part to play to secure our third sector for generations to come.

Whether you're a voluntary group, a charity, a funder or an infrastructure organisation, we can all do our bit to think differently about how we work, to be clearer with our advice and guidance and offer support to help others.

Recommendations for Welsh Third Sector groups:



Consider areas of strength and development

We would encourage you to consider where your strengths lie and what your areas of development are.

- Look at others, outside of your organisation, to see what they are doing and consider if and how you can work in partnership to add value to each others work.
- As a medium sized charity eligible to apply for funding from Trusts and Foundations, is it possible for you to consider how you can have a greater impact in areas you are not currently reaching by working with a small or micro organisation who has vast knowledge and experience of their locality or particular beneficiary group.
- A joint bid to a Funder that includes costs for the work undertaken by the smaller organisation/s could have a far-reaching impact, not just on the end beneficiary, but also on the Welsh third sector as a whole. Remember however that a successful partnership works both ways - share resource, avoid tokenism, listen to each other, be honest and respectful and most importantly don't underestimate the time needed to develop a strong and valuable relationship.



Invest in ensuring strong governance

Our [Grants Toolkit](#) offers advice, guidance and signposting to others that can help with this. Spread the load, amongst trustees, staff and volunteers.

- Infrastructure agencies such as WCVA, the CVC network, Cwmpas, Chartered Institute of Fundraising etc. can advise on the best course of action depending on how you are set up or intend to set up.

We aren't going to stop here.

This is a work in progress. We will continue to learn and to share, in consultation with the Welsh third sector groups we interact with.

We want to do more and would welcome feedback, both good and not so good to help us to shape our support in a way that best suits the needs of Welsh community groups.

We will use that learning to influence funders and infrastructure bodies to enhance their knowledge and understanding of your community needs.

Acknowledgements

Advisory group members

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Richard Williams - CFW
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