

## Insights for 2017: Grant-making trusts

This briefing explores issues around fundraising raised in our State of the Sector Forecast survey. It highlights some insights and questions for both fundraisers/grant-seekers and funders.

Information sources [SCVO Sector Forecast for 2017](#) and [Income and spending 2014](#)

### Importance of grant making trusts to Scottish third sector

**6%** of the third sector's income comes from grant-making trusts and foundations.

200 major trusts account for 80% of funding **£250m**

The other 20% comes from mix of hundreds of small trusts and charities **£ 50m**

Medium-sized organisations rely on trusts for 15% of their income = around £150m per year:

SMALL (<£25K)



MEDIUM (<£1M)



LARGE (£1M+)

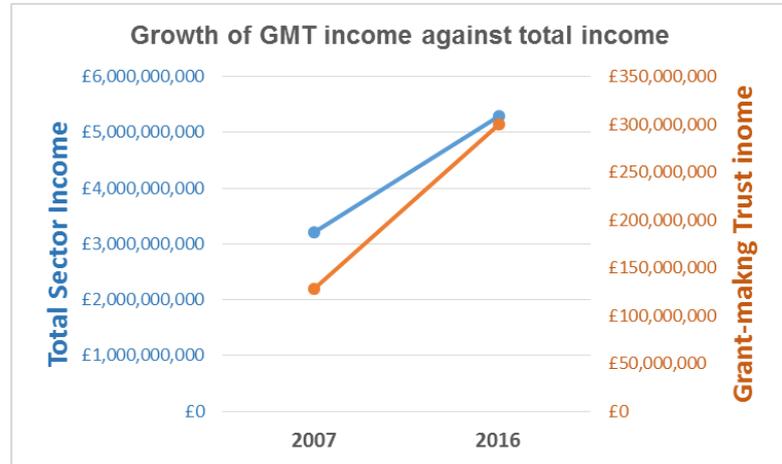


**1 in 5** charities plan to increase funding from trusts in 2017

## Importance of grant-making trusts and foundations

Grant-making trusts (GMTs) are a significant funder of the third sector, contributing around £300m to Scottish charities, around 6% of the sector's £5billion income.

Despite the huge growth in trading income and contract income, GMT funding has not only kept up with sector growth but has increased in importance, up from 4% a decade ago. This is in part due to new funders and philanthropic foundations.



GMTs only account for 4% of the income of the largest organisations, but this still works out as a significant £145m. GMTs are particularly important to small and medium-sized charities. Around 15% of the funding for medium-sized charities comes from GMTs, amounting to over £150m per annum.

Around 1,000 Scottish charities regularly make grants or have enough expenditure to be considered 'active' GMTs. UK-wide GMTs are not included in our figures, which also do not include Big Lottery, government, or 'closed' grant-makers.

<b>TOP 15 Grant Making Trusts in Scotland 2016</b>	
1. Postcode Lotteries	£43m
2. Robertson Trust	£17m
3. Comic Relief	£7m
4. Keep Scotland Beautiful – Climate Challenge Fund	£7m
5. Foundation Scotland	£7m
6. Voluntary Action Fund	£7m
7. Esmee Fairbairn Foundation	£6m
8. BBC Children in Need	£5m
9. Life Changes Trust	£5m
10. Souter Charitable Trust	£4m
11. Gannochy Trust	£4m
12. Lloyds TSB Foundation for Scotland (now Corra Foundation)	£2m
13. Volant Trust	£2m
14. R S Macdonald Charitable Trust	£2m
15. The Hugh Fraser Foundation	£2m

## Issues for charities and fundraisers

In our Sector Forecast respondents spoke of their plans to increase income from grant-making bodies, but highlighted challenges alongside opportunities.

### Increased Competition

*“Increased competitiveness and more time consuming funding application processes for grants and trusts”*

*“Competition for these grants grows all the time and our success rate is hard to predict.”*

*“I think big charities with a team of fundraisers will apply for small sources of funding and it will be more difficult for small organisations like us with very limited capacity for applications.”*

A number of respondents, particularly from small and medium-sized organisations were concerned that competition for grants would increase, particularly from larger organisations trying to make up cuts in public sector funding. There was concern that smaller charities with no ‘professional’ fundraising capacity would be at a disadvantage in this more competitive environment.

### Improving applications

Given this potentially more competitive environment, several respondents also highlighted that one challenge (and opportunity) for them in the coming year would be to invest time and effort on improving the way they approach specific funders. Many respondents to the Forecast survey spoke of investing in their fundraising strategies, and in either bringing in fundraising skills – both staff and trustees – or skilling up existing people.

*“We are currently reviewing how we operate, starting to try to understand our 'market', getting a better understanding of how users/customers view our offering, refreshing our governance arrangements etc. Accessing funding from funding bodies as distinct from local/national government will be one of our key challenges but the work we are doing - above- will enable us to better target our applications.”*

Research has repeatedly shown the key things that funders want to see:

- Applications which show that charities have done their homework
- Applications which demonstrate good ideas, with enthusiasm
- Applications in clear language
- Applications which have realistic costing (including core costs)

## Issues for grant-makers

The current pressures on public sector funding means that many funders are expecting to see a significant increase in applications. However, so far few funders report a spike in applications – it is unclear why not. Increase in applications or not, how can applicants and grant-makers work together to improve application quality and grant impact?

**Clear criteria:** clear and unambiguous criteria may help reduce the number of ineligible applications. While some trustees wish to fund at their own discretion, being too open may not be helpful as applicants are unsure what is likely to be funded.

**Collaboration:** A number of funders and fundraisers have suggested that it would be useful to bring together information on the number of successful/unsuccessful applications, the location of applicants, and the activities for which funding is being sought. This would give funders a better idea of who is funding what type of organisation (small or large, rural or urban) and what activities/beneficiaries, and help identify hot and cold spots. Initiatives such as 360 Giving <http://www.threesixtygiving.org/> will hopefully open up data in ways like this which add to intelligence.

**Monitoring and evaluation:** A number of third sector organisations feel that the wide variation in funder requirements places an unnecessary bureaucratic burden on them. Harmonising applications and monitoring data is an area that the Scotland Funders' Forum has been looking at (see [ESS report](#)), and this will hopefully continue to develop.

*“Greater competition for grant funding; Greater demands of grant applications, reports etc; Spurious compliance requirements”*

**Balancing new and innovative against tried and tested:** many research respondents commend funders who fund existing projects that have demonstrable impact, particularly those that fund project staff, instead of always going for 'new and shiny'. Others speak positively about funders who have helped new projects get off the ground and helped organisations try out new ideas.

Both types of funding are needed, but getting the balance right is a question for both individual funders and the grant-making sector.

**Longer term funding:** GMTs often lead the way in innovative longer-term funding models, recognising that this is a more effective model, particularly if staff need to be recruited – see the Big Lottery, and recent [Esmee Fairbairn Foundation learning report](#).

## ‘Additional to’ or replacing public sector funds?

A number of our respondents made reference to sourcing funding from trusts to make up for cuts in government funding. The issue of additionality has been debated for a number of years, with many funders reluctant to replace public funding, for practical or political reasons, but also aware that they play an important role in supporting social change:

*“It is not the responsibility of the voluntary sector to reactively fill the gaps left by state withdrawal, but independent funding can stimulate networks and deploy resource where the state cannot penetrate, which in turn can improve the effectiveness of mainstream public services as well as more directly effect social change”<sup>1</sup>*

As pressure on public sector funding mounts, the third sector and grant-makers have some tough questions ahead. Funders are likely to come under increasing pressure to fund activities that were previously public sector funded. A challenge will be how to have these discussions about the role of the state and the role of the third sector, while still ensuring that people’s needs are met here and now.

### Key findings

- Funding from grant-making trusts is worth around £300m to the sector every year. It is vital to many third sector organisations, particularly medium-sized charities.
- Charities are concerned that pressure on public sector finances will make the grant funding environment much more competitive, with many concerned that smaller charities and those with less fundraising capacity will lose out.
- Grant-makers are often at the forefront of innovation, funding new ideas, models and ways of working, but there is a need - both as individual funders and collectively – to balance this important role with continuing to fund what already works well.
- There is a need for more conversations around how grant-funding sits in a changing and increasingly pressurised funding landscape, particularly around funders’ independence, and better use of data and intelligence to identify priorities and areas where funders can add the greatest value.

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[A Blueprint for Action: a new Funding Ecology, Gulbekian Foundation](#)

[<sup>1</sup>Supporting Social Change: a new Funding Ecology, Gulbekian Foundation](#)

[Inside the mind of a grant-maker: Useful stuff on how grant-making works, nfpSynergy](#)

[Learning from our funding: Insight report May 2017, Esmee Fairbairn](#)