

The recession

A snapshot of responses from funders – how the recession is affecting them and their funded groups

London Funders invited its members to complete a short electronic survey in late March/early April 2010. 23 of 95 organisations responded (24%). As there is such a range of types of funders in membership, we have divided our first analysis of answers into two broad sections:

- local/regional government funders (London boroughs and a pan-London body)
12 of 36 members responded (33% of that category).
- other funders (explained in more detail below)
11 of 59 responded (19% of that group).

Summary

Our broad membership means there are no simple messages coming from the survey, but we believe that the results will repay a little study by funders themselves and by the VCS.

We look first at London-focused, local/regional government bodies (boroughs and one pan-London funder) and then the rest of the respondents, a mix of independent foundations (some endowed, some still in fund development mode themselves), corporate funders, and a Lottery distributor. There was a distinct difference overall, with the government group expecting lower resources over the next few years but mostly expressing **uncertainty about the scale of cuts**, while the other group was more confidently talking about **holding resources steady or expecting increases**: many of these are, of course, coping with higher demand and tougher choices about what to fund, not least because of public sector cutbacks.

All understand the **pressures on the sector** – shrinking services, a loss of preventative work by the VCS, the closure of some organisations especially smaller ones. Many boroughs see the pressure on **advice services** and are focusing support on these. The other funders recognise all these issues, especially **risks to vulnerable and marginalised groups** and also tend to comment on the way the recession is having an **organisational impact**, eg groups spending more time on fundraising and cutting their training budgets.

Many government funders are expecting to make **fewer or smaller grants** (in some cases fewer and smaller) and many are narrowing their funding priorities. The other funders are diverse in their response to the funding crisis for the VCS, eg some have been making fewer and smaller grants, while at least one talks of larger and longer ones; one is lending bigger capital sums while another is shifting from capital and “seed corn” grants to shoring up core services.

The report gives examples and quotes to show **where funder practice is changing** to help the VCS cope with this prolonged funding crisis. It reflects an interest in fostering **partnership/collaborative working** in the VCS (especially on the part of boroughs), ie asking voluntary organisations to show they want to improve **sector efficiency**. It shows the many paths funders are finding to work their own money harder.

London Funders will continue to get and share feedback from funders and especially to promote to funders the best practice we find as funders look for ways of best supporting the VCS

Local government funding

Eleven of these are boroughs and one a pan London funder.

Expectations of levels of funding compared with previous year

	Same	Decrease	Increase	Don't know/ depends on public sector cuts	Total
Current year 2010-11	8*	4	0		12
Next year 2011-12	0	6	0	6	12

*Includes boroughs trying to ensure that increases for inflation mean that grants stay the same in real terms

All say they cannot predict further ahead. Some cannot yet comment on the scale of likely cuts even in 2011-12 – uncertainties about public sector funding allocation and the outcome of local as well as national elections are, of course, what are cited. Those describing specific levels of cuts quoted 5-10% for the current year and some are clearly hoping to keep the level of cuts at 10% in 2011-12 though one talks of 15-20% cuts over several years after offering a static budget in 2010-11.

We asked funders how they would manage their shrinking budgets. Half said they expected to make fewer grants, and 7 of 12 said smaller grants (in three cases boroughs talked about both fewer and smaller ones).

Setting priorities

Six expect closer targeting against their organisation's priorities (eg "not looking to decrease total budget but may become more targeted"; "focusing on a narrower, more targeted range of issues"; "we propose to focus on specific services that are in line with Council priorities").

At least one funder expressed a commitment to "reviewing grants priorities with the sector ready for 2011-12". Others conveyed uncertainty about changes in priorities until after the May elections.

Impact on the VCS

We asked funders how concerned they were about the impact of the current situation on the VCS: five said they were very concerned, and seven were quite concerned. When we tried to tease out how the impact was understood, we had a variety of comments:

- shrinking services, including a loss of preventative work – this was noted by several respondents.

Others add:

- organisations going under – especially small ones;
- favoured organisations surviving; some groups finding crisis funding to tide them over;
- changed practices in the VCS: eg some mergers, some pressure on groups to work in partnerships with similar organisations, and some organisations prepared to pitch for a wider range of contracts.

One says: "We commission services, but in recent times have seen organisations going into liquidation or merging with larger providers to secure sustainability longer term".

There is an understanding of the increasing difficulty groups have in planning and in managing staffing and other resources, given increasing uncertainty over funding. Borough funders are being told by groups that trust funding is harder than ever to obtain.

In describing how the recession has affected demand for VCS services, five quote increased pressure on advice services, and two talk about the need for stronger employment training. One notes an increase in demand for support for depression and one that there is more to be done in offering opportunities for volunteering for people newly out of work.

Strategies to support the sector

We asked about strategies to support the sector in the face of static or shrinking budgets: 4 of the 12 talk about the way they are refocusing on areas that are priorities for their agencies. One has aimed to protect advice services from cuts. Another has found some additional one off funding identified for "credit crunch" support/advice projects. One borough says: "We have loaned a member of staff to the CAB for more than a year and we have made an additional payment as part of our plan to aid economic recovery."

Other comments include:

"We are committed in principle to a rolling programme of three year grants to our strategic grant recipients."

"We are developing an outcomes approach to our monitoring of funded organisations and I think that this will help groups to think about the social and economic value they add to the authority's work."

"Supporting sound business planning based on evidence of need."

"We have developed a 10 point plan to aid the third sector during the recession. This has included payments made in advance to aid stability and an increase in the amount we contribute to a small grants fund."

One borough comments that priorities for smaller grants have changed to reflect changing and emerging needs and another that there is a new programme for emerging needs and new initiatives and the small grants programme has been expanded.

Two are increasing capacity building support for the sector.

"Providing training for commissioners and third sector to increase commissioning opportunities", says another.

There are several comments on encouraging groups to work together, including:

"Training initiatives around collaboration, working in partnership, consortia, etc. will feature in our 2010-11 work programme (with benefits now and for future commissioning programmes)." Some

boroughs are asking for evidence that partnership working is under way. In different ways a high proportion mention the need for groups to show that they are trying to make themselves more efficient through collaborative practices and several comment on the support they are offering to help make this happen. One is asking for joint applications.

One respondent mentions the opportunity that the personalisation agenda offers – they plan to help the local VCS explore this potential.

One borough also notes how the local council for voluntary service is running training initiatives to help the sector diversify their funding sources, and training focused on commissioning and tendering for contracts.

Other funders

London Funders’ members that fall fully outside the local/regional government category are very varied indeed. Of a current 56 many are independent charitable foundations – most of these being endowed trusts. For this analysis we have included Lottery distributors and other non-departmental public bodies in this group. There are also some emerging funders, still raising the wherewithal to make grants. There are investors in social enterprise as well as funders of more traditional charitable forms. Some of the resources derive from corporate donors. In a few cases the organisation is not specifically a funder but has some resources for grantmaking alongside its more mainstream activity.

While responses to our questionnaire from this part of our membership is small – 11 out of 56 - it does include examples from right across that spectrum. It also includes some of the biggest funders of the VCS in London as well as some very small or niche funders. Answers to our questions were therefore much more diverse than those from local government and are a very strong reminder that there is no simple impact of the recession on funders’ own resources, nor one right way of stretching resources to maximise usefulness to the VCS.

Expectations of levels of funding compared with previous year

	Same	Decrease	Increase	Grantmaking ends	Total
Current year 2010-11	7	0	3	1	11
Next year 2011-12	5	1	4	-	10

The funder which anticipates decreasing income for grantmaking, talks of three lean years, but during that time action on the management of its resources means that after that time there should be a higher level of funding available again. A couple of respondents note that they hope to see a considerable increase in their resources, based on fund development/fundraising. A social lender is expecting increases of 40% this year, and percentages in the high 20s for the next couple of years.

Impact on the VCS

There is keen awareness of the impact on the sector: six say they are very concerned, and four are quite concerned. Specifically, some are beginning to see a higher rate of applications. They understand how funding uncertainty or loss of resources are causing much more difficulty in planning and that some organisations are falling back on their contingency plans; spending more time in fundraising; worrying about core costs; tighter cash controls; and risks to services for vulnerable and marginalised groups. A cutback in training offered to staff and volunteers in voluntary organisations is noted with concern.

There is awareness of increased demand for VCS services – noted are advice services, mental health and counselling support and volunteering. In its survey of its funded organisations, Lloyds TSB Foundation for England and Wales found 80% experiencing growing demand in the past year, and almost 50% saying that they cannot meet the demand. Full results of this survey on *The Funding Environment of Smaller Community Based Charities*, should be available soon on www.lloydstsbfoundations.org.uk.

The VCS respondents to the Lloyds TSB survey identified fundraising support as most useful and the next most important support needs were: raising their profile through more media and publicity; business planning and measuring the impact of their work; then support to foster collaboration and help to develop their volunteering.

Strategies to support the VCS

Three funders coping with static or decreasing levels of grants expect to make fewer grants, and two of these will be making smaller grants also. A lender will be keeping working capital loans for existing borrowers, and increasing the size of loans.

A couple of funders will be reviewing their grants policies (though one of these is a new funder, still establishing initial policies). Two talk of shorter funding periods for grants while their own resources are stretched and they have concerns about the broader funding context.

How are funders changing? A few are not changing – at least one feeling that it anticipated the current situation and is ready to help as much as possible. Several are fundraising hard to add to the resources they can offer in their priority areas.

Some responses show just how varied the funder world is: while some funders have responded by making smaller and fewer grants, one respondent is looking at larger and longer ones – their trustees are seeing how this can be achieved. Similarly, while one is lending bigger capital sums, another is shifting from capital and “seed corn” grants and seeing how it can shore up core services. One is specifically putting funding into topics identified as being a problem as a result of the recession while another is reinforcing its own funding priorities (though also considering offering emergency funding).

Some of the additional responses being described as funders seek to maximise the use of their resources and minimise the pain experienced by funded groups, show how clearly the pressures on the sector are understood by funders:

“We are being as flexible as possible with funded organisations where they are experiencing problems.”

“We are believers in funding continuing where there is continued need and good track record of delivery. Unless it is taken to scale we see it as our responsibility - as funders - to keep funding going or find its replacement.”

“We are offering our rooms and facilities for subsidised events.”

“ ...emergency funding where recovery plans are in place.”

There were just a couple of responses on partnership working – so much talked about as creating efficiency in the sector: “we are looking at funding for coalition projects”; and “we are encouraging more partnership working, pooling resources and creating work that has sustainability and longevity with minimum outlay”. Another funder also noted requests for help with communications, marketing and advocacy activity.

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London Funders is grateful to members contributing to this small study and will be sharing amongst the membership more detail of strategies being adopted by funders to examine their effectiveness in supporting the VCS through these tough times as they continue to look for ways to maximise the value of their combined resources in supporting London’s communities through the voluntary and community sector. Our next major meeting on funders and the recession is being planned for 13 September 2010. www.londonfunders.org.uk

London Funders exists to strengthen and support London’s funders to better meet the needs of Londoners

London Funders is the membership organisation which works with funders and investors supporting London’s voluntary and community organisations. It links all the sectors, providing foundations, funders from the public sector and corporate givers with opportunities to share their experience and learn from each other. It helps to forge productive relationships which contribute to the wider benefit and overall sustainability of London’s voluntary and community organisations. It aims to contribute to a vibrant, varied, fit for purpose third sector which is appropriately and fairly funded.

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