INDEPENDENT FUNDING: The role of the charitable trust

Charitable trusts and foundations[1] like to say that they concentrate their funding on:

- responses to new, newly discovered, or under-recognised needs and problems, including fundamental research and the promotion of ideas and understanding;
- new and innovative methods of tackling problems, including action research;
- disadvantaged and minority groups that have trouble using ordinary services, or which are inadequately served by them;
- work which is unpopular, and thus hard to finance through conventional fund-raising;
- work for which the case for government funding has not yet been established or accepted, or for which government funding is inappropriate;
- one-off purchases or projects, eg capital grants for buildings, and commissions of enquiry;
- short and medium-term work which is likely to bring a long-term benefit and/or to attract long-term funding from elsewhere.[2]

Trusts have taken this approach for much of the post-war period. They have been concerned not to be drawn into permanent funding. Even where revenue costs have been funded, grants have tended to be for three years at a time, with a preference for project rather than core funding. Where the pioneering nature of an organisation has made core funding appropriate, trusts have often been reluctant to be the sole funder. The implicit assumption has been that successful innovative work would bring its own reward, in the form of long-term government funding. Trust grants would therefore _prime the pump'. This supposition has been underpinned by the knowledge that government spending in relevant fields is around a hundred times larger than that of trusts, eg education, where government spends around £31 billion compared with trusts' £319 million.

In recent years, this approach has come under question for several reasons:

- Government spending has shrunk relative to other sectors, and there has been a grudging recognition that the _pump-priming' strategy assumes, unrealistically, that government coffers can expand without limit.
- The Government has itself started to make _pump-priming' grants, providing short-term and experimental funding in the expectation that other sources, notably the private sector, will step in. A plethora of Government schemes has been established on a match-funding basis, with charities encouraged to rely less on Government and to diversify their funding. Government funding has been increasingly biased towards capital costs rather than revenue, with assumptions that match- and revenue funding can be found from elsewhere. Four of the five streams of funding from the National Lottery are subject to Government directives based on the same premise.
- The arrival of the _contract culture', while presenting some organisations with new opportunities for funding, has blurred the boundaries between the state and the voluntary sector, making it more difficult to map out a distinctive role for trusts. Some (mainly larger) charities have sought trust funds to enable them to compete for contracts, presenting trusts with the dilemma of whether to subsidise what should properly be, and in the past often have been, state-funded services.[3]
- Because contract funding is often linked to direct services, finance for charities' non-service work can be difficult to fund, especially their advocacy, research and campaigning - for which trust funding has been sought, sometimes for long periods. In a wider sense, there is an implied threat that the voluntary sector's capacity to undertake such work at all - often

seen as essential to its independence - will be lost unless trust funding is forthcoming.

- Many small and medium-sized voluntary organisations, especially in new and poorly established parts of the voluntary sector, are ill-placed to compete in the contract market, bringing a crisis in funding, where long-term and core funding can be difficult to obtain, other than from charitable trusts. Trusts have thus come under pressure to relax their policies, because no other source is likely to help some organisations which may be particularly valuable in disadvantaged and minority communities.
- Infra-structure organisations, such as councils for voluntary service, have also fared badly in the _contract culture'. Among other functions, such bodies often provide a seed-bed for new ideas and developments. However, the long-term unevenness in their geographical coverage, exacerbated by a spate of recent closures, hampers the voluntary sector's capacity for innovation, and so weakens the supply of the type of grant application that trusts find particularly attractive.
- There is recognition that some ideas and initiatives can take longer than three years to develop. The effect of a normal maximum of three years' funding may be to inhibit the flowering of success from promising beginnings, or that time is wasted through mid-term fund-raising or in replacing key personnel who leave because of funding insecurity, or that projects switch, to no significant advantage, from one _pump-priming' trust grant to another. _Why not fund for ten years?', ran one recent polemic.[4]
- The pressure to fund innovation can bring an unwillingness to replicate genuinely successful initiatives in other geographical areas. It also fails to recognise that genuinely innovative ideas, though not uncommon, represent a relatively small proportion of the average trust's postbag.

All of these factors have brought pressures to moderate the strict view of trusts as providers of short-term, _pump-priming' grants. Trusts are increasingly asking themselves which of these pressures are legitimate and deserve a positive response, and which must be resisted if the distinctive role of trust funding is to be preserved.

Trusts have begun to recognise that the notions of short-term and pump-priming funding may be of recent origin. Looking back at the earlier history of trusts, many of London's playing fields and parks were started by grants from the City Parochial Foundation;[5] the philanthropy of Andrew Carnegie, through trusts including the Carnegie UK Trust, played a pioneering role in the development of libraries. Such initiatives arose out of the determination of philanthropists and philanthropic organisations, and were funded initially without concern about whether the state would ever step in. Trusts still have much scope to take a lead on an issue and see it through, eg the Nuffield Foundation's work on medical ethics, the Gulbenkian Foundation's on school bullying.

Trusts and the state

On the other hand, there is a determined resistance to taking on what is now widely seen as the proper role of the state. Trusts are likely to give short shrift to state schools which approach them for funds for the school roof or a teacher's salary. An NHS (or Trust) hospital's requests for funding of a bed is likely to be refused. Trusts' view of such requests can fairly be described as that of an unreconstructed proponent of the welfare state. They will not fund mainstream public services, and can be expected to take a robust view of what ought to be part of those services. However, again this must be seen in historical context. Present-day views of what ought to be publicly funded differ radically from those of the past, and many contemporary mainstream services were started on a voluntary basis, with or without philanthropic funding.

Trusts do not automatically refuse requests from statutory organisations. Development of teaching of new and minority subjects, and of new teaching methods, is often seen as legitimate pioneering, eg Nuffield's work on curriculum development in the fields of language, design and technology. Trusts provide funding for experimental medical treatments and research. That the applicant body may be a state school or hospital is not important, for charity law directs trust funds towards charitable purposes, wherever performed, rather than to charitable organisations. There are however concerns about high overhead costs in some state institutions, and a trust may have a clause in its deed (or adopt a policy) which limits it to funding registered charities or non-statutory organisations. Some requests are not clear cut. For example, should a school's core budget normally provide computers, so placing requests for charitable funds beyond the bounds of legitimacy?

If the boundaries between the state and voluntary sectors are no longer clear, then it also follows that voluntary organisations per se will not be regarded as automatically eligible for trust funding. The trick is to decide when the work that an organisation wants to do ought reasonably to be funded by the state. Even if it is not so funded, should it be? In the _contract culture' context, is it _contractable'?

Trusts, government and companies

Trusts have become weary of the changing role of government, a feeling that is shared by many of their counterparts among companies with corporate giving programmes. To be more precise, trusts and companies have become frustrated with dealing with requests for support from charities whose work has been damaged or undermined by instability in government funding. There is of course a recognition that government has a legitimate right to redirect funding. The frustration has arisen because, too often, changes have taken place over-hurriedly (sometimes without prior notice or consultation), and have been driven by short-term policy, coupled with unrealistic expectations of the capacity of trusts and companies to replace what the Government has withdrawn.

An attempt, in 1993, to improve relations through a series of joint seminars led to a better understanding of each others' perspectives, but no meeting of minds as to respective roles.[6] Comparison of the different reasons why Government, companies and trusts fund the voluntary sector is however instructive. Where Government departments and statutory agencies work with the voluntary sector mainly to pursue their own policy objectives, and companies give out of a sense of community responsibility and enlightened self interest, trusts fund the voluntary sector for philanthropic reasons. Philanthropy is indeed trusts' essential purpose; they give money to a good cause on the merits of the cause, and are given tax relief as an incentive to do so. This does not mean that trusts give their money away blithely; but it does mean that trusts are often willing to take more risks.

Recognising grant-seekers' expectations

The exchange of views between government, trusts and companies did bring common recognition that there are issues of good and poor practice in grant-making, and that grant-seekers and recipients have legitimate expectations of funders. This produced initial agreement to prepare a code of practice for funders of the voluntary sector. Further discussion threw up problems of enforceability, but generated much goodwill, leading in 1995 to the publication of draft Guidelines for Funders of Voluntary Organisations.

Issued jointly by the Association of Charitable Foundations, Charities Aid Foundation, the Corporate Responsibility Group, the Home Office Voluntary Services Unit on behalf of Central Government, and the English Local Authority Associations, the draft Guidelines are the first document of their kind.[7] They recognise the need for funders to provide adequate information about their grants, to process applications in a reasonably open way, and to deal fairly with applicants in making decisions and over monitoring and evaluation. They point up the problems that are caused by late decisions to award, renew, or terminate grants, and recognise that special steps may be needed to reach potential applicants from disadvantaged groups. They recognise the differences between core, project, and service/contract funding. After a period of consultation, the intention is to re-work the Guidelines into a permanent statement of good practice, which individual funders will be encouraged to follow.

Relative shares

The inter-funder discussions also brought recognition of the need to improve statistical information about the voluntary sector. At present, there is no common understanding of what the voluntary sector is, still less of who funds it and in what shares. It is therefore difficult to quantify trusts' importance in the wider panoply of funders.

The sector's total income is unknown, and extrapolation from estimates of the total income of registered charities in England & Wales presents the problem that these estimates have varied considerably between different surveys, for example falling from £16 billion in 1992 to £12.8 billions in 1994.[8] Quite apart from the omission of charities in Scotland and Northern Ireland, it is unclear whether this change represented a real fall or simply a change in survey methods. Attempts to reconcile such estimates with the aggregate expenditure of the various types of funder produces further bafflement. About half of charities' income appears to come from fees and sales, but includes large blocks of activity not normally associated with the voluntary sector, such as fees to independent schools, private hospitals and nursing homes. Of the other sources of funds, personal charitable giving has been estimated at around £4 billion, but with wide margins of error. Figures for total Central Government grants are frequently cited as being in the £3-4 billion range; this however includes Government funding to housing associations, which in 1992/93 was 85 per cent of the total.[9] Outside the housing field, Government grant-aid was around £500 millions per year - rather less (though of the same order) than that of trusts, at around £800 million. For the same year, local government grants and fees have been estimated at just over £1 billion.[10] Depending on what is counted, trust grant-aid - at around £800 million per year - therefore represents between 6 and 10 per cent of the voluntary sector's income. It is thus a highly significant contribution, albeit a very diverse one.

Facts and figures about trusts

Attempts to compile statistics about trusts themselves are bedevilled by similar problems: confusion about definitions, and the lack of a generally accepted typology of trusts or method of categorising their grants. Each of the compilers of information about trusts takes a different approach to these questions. For example, the Directory of Grant-Making Trusts,[11] often seen as the _bible' of the trust world, includes several very large operating charities and government fringe bodies that between them account for £220 million of the £1,030 million spending of the 3147 trusts listed. Adjustment produces a lower total spending figure of £783 million from 3133 trusts. Dimensions of the Voluntary Sector calculates the total expenditure of the top 500 grant-making trusts at £803 million, but excludes grant-making trusts that raise their funds from the general public, such as the BBC Children in Need Appeal and Charity Projects / Comic Relief. The two volumes of the Guide to the Major Trusts[12] give a figure of £700 million for the spending of the top 1000 trusts. The inconsistencies between these major sources of information suggest that all compilations of statistics about trusts should be treated with caution. The Directory provides the only available figure for the total assets of trusts used for investment purposes: £7.8 billion, excluding the assets of the Wellcome Trust, which alone are valued at £5 billion.

There is agreement that trusts are very diverse in size. As Table 1 shows, the richest 36 trusts, 1.1 per cent of the numerical total, account for over half the total spending; the vast majority are much smaller - the smallest two-thirds providing only 6 per cent of the grant-aid by value.

Table 1

Size of trusts[13]

Income range	No of trusts	Value of grants (£ Millions)	Proportion
£10 million plus	14 trusts	311	39.7%
£5 - £10 million	22 trusts	103	13.2%
£1 - £5 million	110 trusts	169	21.6%
£500,000 - £1 million	91 trusts	46	5.9%
£100,000 - £500,000	518 trusts	88	11.2%
less than £100,000	2195 trusts	48	6.1%
others	183 trusts	18	2.3%
Total	3133 trusts	783	100.0%

Table 2

Subject interests of trusts[14]

	proportion of grants (number)	proportion of grants by value	median value of grants (£'000)
Culture & Recreation	17.8	9.8	23.0
Education & Research	16.7	40.7	69.5
Health	9.5	12.1	37.0
Social Services	32.3	15.3	46.8
Environment	6.6	5.1	12.5
Development & Housing	3.4	2.2	15.7
Law, Advocacy & Politics	0.3	0.4	9.5
Philanthropic Intermediaries & Volunteerism Promotion	0.3	0.5	3.6
International	2.2	1.6	30.0
Religion	8.8	8.9	26.5
Business, Prof Assns, Unions	0.1	<0.1	2.5
Other	1.8	3.5	25.4

The fields of education and research thus receive (Table 2) the largest sums of money, while the health and social services sectors receive the largest number of grants. Trusts have significant interests in the arts and the environment (where the figure includes grants for the preservation of historic buildings). Another survey suggests that grants to individuals comprise 14.4 per cent of trust spending; and that local organisations receive over half (52.7 per cent), with national organisations at 25.2 per cent, and international or overseas bodies at 7.6 per cent.[15]

Despite trusts' image as venerable institutions, the Directory's records of dates of formation show that 95 per cent are of twentieth century creation, and 85 per cent were formed in the post-war period.[16] The boom in formation of new trusts in the 1960s and 1970s probably reflects the unfavourable tax régime for personal wealth in those decades, and hence the relatively high value of charity tax exemption. A later fall, in the 1980s and 1990s, may also reflect the more recessionary times, and, more recently, the advent of alternative tax-efficient methods of giving to charity, such as Gift Aid. The capacity to engage in philanthropic giving is very often the consequence of the building of a successful business. Some of the business entrepreneurs of the 1980s have indeed created personal charitable trusts, though not yet on the scale of earlier times.[17]

Types of trust

The following categorisations develop work done in 1989 by Michael Norton.[18]

Trusts with a geographical focus: Many trusts have a geographical restriction, and can only make grants for the benefit of the population in a particular area. There are large local charities, for example in areas as diverse as Burton-upon-Trent, Sutton Coldfield, and the Shetland Islands, as well as the large City Parochial Foundation in London. Other trusts, though having no strict limits, nonetheless have a preference for a particular region or locality, eg some of the Cadbury group, with their non-exclusive bias towards the West Midlands. One emerging type of local trust are **Community trusts and foundations**, formed to act as a focus for local giving by companies and individuals, and to build local permanent endowment funds. Though the idea of the community trust is relatively new to the UK, successful trusts have been built in Northern Ireland, Tyne & Wear, Greater Bristol, Wiltshire, Milton Keynes, and elsewhere.

Trusts with restricted objects and policies: Some trusts are unrestricted in the type of work they can fund. Others have quite narrow restrictions in their deeds, eg the Wellcome Trust, the UK's largest, which funds only medical research and the history of medicine. A third type has intermediate limits, which allow them to fund a wide range of work in a given field, eg the Prince's Trust (which funds young people), and the BBC Children in Need Appeal. Some trusts adopt policies of funding in one or more fields for a few years at a time, thus temporarily excluding themselves from other fields. There are _relief in need' charities, which help individuals in poverty, rather than organisations; and _benevolent funds', which are linked to particular professions, or are established to help students.

Trusts with a religious basis: Many trust deeds reflect the religion of their settlor, though relatively few are established for religious purposes per se. More typical are trusts that assist communities with a particular religious affiliation, or which make grants consistent with the ethical basis of a religion. A large number of trusts reflect the rich Jewish philanthropic tradition; some of these are secular, some assist Jewish causes in the UK, and some help causes in Israel. The Quaker trusts, including those associated with the Cadbury and Rowntree families, are well known. Many others have an affiliation with a branch of Christianity, for example the association of the Sir Halley Stewart Trust with non-conformism, or the Church Urban Fund, the Church of England's initiative to help deprived urban areas. The Aga Khan Foundation is one of the few with a link to Islam, notwithstanding the Islamic community's strong tradition of personal charitable giving.

Non-charitable trusts: Although most trusts are themselves registered charities, a few have foregone the tax concessions associated with charitable status, and can fund work which is not charitable in law, including explicitly political campaigns and parties. The best known are the Joseph Rowntree Reform Trust and the Barrow Cadbury Fund. The Charity Commission's acceptance of the legitimacy of political work by charities has enabled the non-charitable trusts to focus their work more narrowly.

Trusts can also be categorised according to their sources of funds:

Endowed trusts: The vast majority of trusts are founded by a transfer (or endowment) of funds or land, either during the settlor's lifetime or through their will at death. The funds are invested and the proceeds used to make charitable grants. (Modern investment policies of larger trusts normally allow the trustees to invest for capital growth as well as income, provided that they protect the underlying value of the capital.) The link with the settlor and his/her family often weakens over time, giving such trusts virtually complete independence.

Personal and family trusts: Many endowed trusts were originally established as a vehicle for tax-effective personal giving by an individual or a family, and tend to support only causes for which the trustees have a personal affinity. They may be endowed or funded by ad hoc or regular gifts, or by a mix. A trust's charitable status creates obligations of openness and transparency, which may be unwelcome to family trustees. Their disquiet may increase as the Charities Act 1993 comes into force, bringing requirements to publish an annual report, a policy statement, and a list of the main grants.[19]

Livery companies: The City of London's _Great Twelve' livery companies (and many smaller ones) represent a particular type of independent endowed trust. Each Company administers substantial charitable funds; their names, eg Mercers', Drapers', Clothworkers', Goldsmiths', reflect their centuries-old origins in gifts and subscriptions from members of the eponymous trades, for which some of their funds are still reserved, though most are now available for more general charitable purposes.

Company trusts: Many trusts have a close link with a company, being endowed with company shares or fully funded from current company profits, and having trustees nominated by the company. In the long term, the relationship will become more distant, as the trustees are bound to invest for the wisest financial return and may sell part or all of any shareholding - on the general principle that investments should be diversified, or occasionally because of a lucrative takeover bid. Many well-known trusts end up sharing the name of a famous company, but nothing else; some, indeed, outlive the company on whose success they were founded.

Public subscription and appeal trusts: Many well known trusts are, or were, funded by public donations. For example, the endowments of the Royal Jubilee Trusts and King Edward's Hospital Fund for London (King's Fund) comprise funds originally subscribed by the public. Contemporary counterparts are the broadcasting appeals, notably Comic Relief / Charity Projects, BBC Children in Need (now more actually than sixty years old), and the Heart of Variety Appeal, which is supported through a range of fund-raising activities. The national broadcasting appeals typically raise between £10 million and £20 million through each _event', and are thus among the UK's more substantial grant-making trusts. Their regional counterparts, such as Capital Radio's Help a London Child, may raise up to £1 million a year. In a similar vein is the National Lottery, which will provide an incidental, but very substantial, benefit for good causes, with distribution machinery that is similar to charitable trusts. (See below.)

Intermediary trusts: These trusts are formed to raise funds and make grants in a special field, developing expertise that is useful to other grant-makers - including trusts and government - who are normally the main source of funds. Some intermediary trusts also have substantial public fund-raising programmes, and may try to achieve independence by building their own endowment. Examples are the Mental Health Foundation, the Housing Associations' Charitable Trust, and the National AIDS Trust. Community trusts also fall into this category, adding value through their knowledge of needs of the local area.

Styles of trust giving

Diana Leat devised (1992) a description of styles of trust giving:[20]

Gift-givers: Gift-giving trusts (the vast majority) make grants in response to requests. They do not have very clear priorities, and tend to make smaller grants - without funding projects or organisations as a whole, and without extensive investigation before choosing who to give to. Gift-givers do however need to know that the recipient is reliable, and grants are often given to enable something specific to be bought.

Investors: Investors usually spend time deciding the areas and organisations that they want to support. They research the proposed field of activity and the applicant organisation. They will want to achieve the maximum effect with their grants, but are likely to invest over several areas as a means of diversifying the risks that they take. Investors are likely to be interested in the results of projects they fund, but are still highly dependent on proposals and ideas put to them.

Collaborative entrepreneurs: This style of trust work is similar to the _investor' style, but the trust itself is likely to choose pro-actively the work that it wishes to fund. It will seek out, or even create, the organisation that can act as its partner in executing the work. It is likely to make long-term grants, or award commissions or contracts, and to be represented on project steering committees - as distinct from the _arms-length' approach of _investors'.

Risk-takers

Though distributing their funds responsibly and carefully, and increasingly forced to choose priorities, trusts are not constrained to play an entirely safe role. They like to fund innovation, and to support work which does not attract funds from conventional sources. This necessarily involves an element of risk, which is at the heart of successful grant-making. A recent gathering of trusts discussed a typology of risk.[21]

Person risk: Trusts may back a maverick, a person with a brilliant idea, and find that real innovative work results. The risk is that, despite the promise of the idea, the key person may not have the skills to carry it through.

Organisation risk: Organisations which appear weak and inexperienced, or which present an unfamiliar style of work or come from a minority culture, may be the very ones that can be successful in meeting previously unmet needs in a pioneering way. On the other hand, they may be too inexperienced to deliver, and providing money may not be enough to ensure success. Extra support in the form of appropriate consultancy may be useful, provided that this is not seen as an imposition.

Political risk: A project may produce a result that is a challenge to established thinking, and expose a trust to unwelcome publicity or draw it into controversy. Some trusts may however welcome this, and see it as entirely proper that their funding should be used to provoke debate about unpopular issues that might not otherwise take place.

Project risk: Projects may fail because of external factors, eg a change of government or of government policy in the field concerned. This may lead to funds being wasted, though through no fault of the trust or the project itself.

Fairness in funding

Trusts' interests in good practice have led to much discussion of issues of fairness in access to trust funds.[22] The issue of _fairness' is a delicate one, in which individual trusts may feel that their autonomy and individuality are under threat, in the cause of a _political correctness' of which many are suspicious. But there is a growing recognition that a trust has a duty to look carefully, not just at individual applications, but at where and how its funds are distributed overall. Increasingly, trusts are recognising the need to monitor their own work, so as to check that the spread of grants reflects their intentions, that it addresses the greatest needs in the fields in which it operates, and that it does not inadvertently exclude groups with which trustees and staff may be unfamiliar. Trusts are also seeing the importance of making information widely available to grant-seekers, and of looking at how they can attract applications from disadvantaged groups who may not be on the usual information grapevines. The larger trusts are becoming more determined about their policies, often identifying five-year priorities for subject and geographical areas in which they wish to make a special impact. The need to set priorities is partly driven by an increase in the sheer volume of applications, reflecting the desperation of many applicants. A means of attracting and assessing applications on a fair and rational basis, is increasingly essential if trusts are to do, and be seen to do, their job competently.

The National Lottery

The National Lottery's impact on trusts will be very significant, and very different from its impact on the rest of the charitable sector. Trusts are aware of, but not participating in, the raging debates: how far do Lottery funds represent a de facto tax on poor communities where lottery participation is most common? To what extent are Lottery tickets bought with funds that would otherwise be given to charity? And how far the Lottery funds will be given to things which would otherwise be funded by the Government? For trusts, it is the sheer volume of funds that will have the most impact. Each of the five streams of Lottery funding - arts, sports, heritage, charities and the Millennium Fund - will bring about £300 million per year onto the philanthropic scene; all but one will be providing far more than is given by charitable trusts in the same field. The exception, and the largest area of overlap with trusts, is the distribution run by the National Lottery Charities Board - whose emergence will add about 50 per cent to current philanthropic giving to charitable causes within its purview. The Board, with far more freedom than the other Lottery distributors, is not restricted to capital-only grants or to requirements that recipients must raise substantial funding from other sources. The Board in fact has most of the characteristics of a generalist independent charitable trust; (at the time of writing, it is negotiating about joining the Association of Charitable Foundations, which has acknowledged that the Board, unlike the other Lottery distributors, has sufficient de facto independence to meet the Association's membership criteria.) Where the other Lottery distributors will bring pressures on trusts to provide match-funding and revenue grants, the Charities Board may actually ease trusts' burden, at least initially. It will however cause administrative problems by recruiting trust staff and advisers for its own operations. In the longer run, the Charities Board is likely to fund much mainstream charitable work - and may well be able to make a decisive impact on neglected fields such as the voluntary sector's infra-structure - leaving trusts freer to focus their own priorities on concerns which are more narrowly defined.

The future

It is both true and a truism that trusts are very diverse. As the above analyses show, they vary greatly in size, style, geographical remit, origins, sources of funding, purposes, and policies. Even quite similar trusts may have very different practices, on such matters as whether they make a large number of small grants or a small number of large ones. Trusts are jealously independent, not only of government, but of each other. All this makes generalisation difficult.

Moreover, precisely because of their independence and diversity, and contrary to common supposition, trusts do not spend a great deal of time exchanging views with each other about individual applications. However, they do meet together both nationally, and increasingly in regional and local groups. Since the formation of the Association of Charitable Foundations in 1989, there has been considerable growth in trusts' capacity to discuss policy issues in particular fields and across the voluntary sector as a whole, and to share in developing good practice in administration and decision-making techniques.

Perhaps this is why common attributes and concerns are more readily observable than in the past. Many of these are responses to changes in the external funding environment, which only the very largest trusts can aspire to influence. The effects of changes in the patterns of government spending at central and local level, and in voluntary sector funding, are widely felt by trusts in the form of increased demand for grants. The arrival of the National Lottery will ease this by providing extra funds, while bringing administrative disorder, together with demand that trusts provide matching money for partial Lottery grants. Not all trusts will be affected. Some will choose not to be, and will continue to make a range of small grants to a similar range of organisations every year, providing a backdrop of core funding that underpins much valuable voluntary activity. But most trusts will evince a wish to respond to the changing circumstances, if only to find ways of reasserting their traditional role.

Footnotes

1. The words "trust" and "foundation" are virtually synonymous, and other words like "settlement" or "charity" are in common use. All charitable foundations are trusts, ie they are managed by trustees, who may or may not be supported by paid staff. A "foundation" is a trust whose income derives from an endowment of land or invested capital. Not all foundations make grants; some use their income to finance charitable work of their own. Not all grant-making charities have an endowment. In this chapter, the word "trust" has been used throughout, to mean grant-making charities of any sort.

2. Based on Applying to a Charitable Trust or Foundation, Association of Charitable Foundations leaflet, 1994.

3. See Community Care, in Trust & Foundation News, May/June 1994, notes by Nigel Siederer of a meeting addressed by Shaks Ghosh of the National Federation of Housing Associations.

4. Ten year funding? in Trust Monitor, June/July 1994, and Why not fund for ten years?, in Trust & Foundation News, January/February 1994, both articles by Tim Cook, Clerk of City Parochial Foundation.

5. The City Parochial Foundation 1891-1991 - A Trust for the Poor of London, Victor Belcher, 1991.

6. An account of the seminars, with background papers and statistical material, was published as Resourcing the Voluntary Sector, Association of Charitable Foundations, Charities Aid Foundation, and Corporate Responsibility Group, 1993.

7. Draft Guidelines for Funders of Voluntary Organisations, Association of Charitable Foundations and others, 1995.

8. Reports of the Charity Commissioners for England & Wales for the years 1992 and 1994, HMSO.

9. From Dimensions of the Voluntary Sector, Charities Aid Foundation, 1995/6, drawing on figures in Hansard, April 1994.

10. From Dimensions of the Voluntary Sector, op cit, based on survey material.

11. Directory of Grant-Making Trusts, 14th Edition, Charities Aid Foundation, 1995, edited by Anne Villemur.

12. Guide to the Major Trusts, Volume 1, edited by Luke FitzHerbert, Susan Forrester & Julio Grau, and Volume 2, edited by Paul Brown and David Casson, 1995/6 editions, Directory of Social Change, 1995.

13. Abstracted from Directory of Grant-Making Trusts, op cit.

14. Based on a survey of approx 10,000 grants, made by at least 162 trusts, in Dimensions of the Voluntary Sector, op cit. The exact method by which trusts' grants are placed in a given category begs a number of questions, mainly about the methodology used to allocate grants that might fall into more than one category, eg art education. The categories are derived from the International Classification of Non-Profit Organisations, explained in The Emerging Sector: An Overview, Lester M Salamon and Helmut K Anheier, Johns Hopkins Comparative Nonprofit Sector Project Studies, 1994.

15. Dimensions of the Voluntary Sector, op cit.

16. Directory of Grant-Making Trusts, op cit.

17. For further discussion of the options available, see Creating a Charitable Trust, Christopher Zealley, Directory

of Social Change and Association of Charitable Foundations, 1994.

18. Raising Money from Trusts, 2nd edition, Michael Norton, Directory of Social Change, 1989.

19. Accounting by Charities: Draft Regulations, Home Office Voluntary Services Unit, 1995, and Accounting by Charities: Statement of Recommended Practice, Charity Commission, 1995.

20. Grant-giving: A guide to policy making and its companion volume, Trusts in Transition: The policy and practice of grant-giving trusts, both by Diana Leat, Joseph Rowntree Foundation, 1992.

21. Taking risks with grants, in Trust & Foundation News, June/July 1995, notes by Calton Younger of a seminar led by Susan Elizabeth of King's Fund and Robert Hazell of the Nuffield Foundation.

22. Fairness in Funding: An Equal Opportunities Guide for Grant-Makers, Roland Doven and Fiona Ellis, Association of Charitable Foundations, 1995. See also its pre-cursor, Good Grant-Making: A Practical Guide, Rodney Hedley and Colin Rochester, Association of Charitable Foundations, 1993.

Nigel Siederer was appointed in 1990 as the first Director of the Association of Charitable Foundations.

He has worked in the voluntary sector for over twenty years, starting out at the National Council for Civil Liberties in 1974. Most of his experience is with co-ordinating and resource bodies, of which he has been variously a committee member, development worker, chief officer, and funder's representative. From 1978 to 1985 he co-ordinated the local advice centres in Lambeth, and played a part in setting up the national Federation of Independent Advice Centres. From 1986 to 1990 he ran the Local Development Agencies Fund at the National Council for Voluntary Organisations.

The Association of Charitable Foundations was set up in 1989 as a development and support organisation for the UK's grant-making trusts and foundations. It has 230 members, who give over £300 millions to voluntary organisations each year.

This article appeared as a chapter in *Sweet Charity*, edited by Terry Philpot and Chris Hanvey, published by Routledge in 1996. The other chapters comprise material about different aspects of the voluntary sector, and the book is a useful general textbook, which has been sadly overlooked.