

For Impact: The Charity Podcast Episode 4 – The funding freeze: What is going on?

Felicia: Welcome to For Impact: The Charity Podcast. We're here to give voice to the sector and talk about the taboos and challenges holding it back and what we can do about it. Our topic today is the Funding Freeze: What is going on with the number of major funders pausing or spending out funds at the moment? I'm Felicia Willow, a consultant and interim CEO, also known as the Mary Poppins of the charity sector. I work directly with charities on governance, strategy and change, and increasingly look across the sector to address the systemic issues that hold For Impact organisations-back. I'm joined by my co-host Chris Pitt from the Benefact Group.

Chris: Thanks, Felicia. It's great to be here again. I am loving these podcasts. We are a huge supporter of charities in the sector, and I feel like we need to keep understanding the real issues that are going on. And there are so many topics that we could be discussing here, but in any aspect of our charity support, it's fair to say that funding is always the top topic. So funding, and I think this particular challenge of funding freezing is definitely a meaty one.

Felicia: It really is. We've really been noticing an increasing trend of funders pausing, spending out or changing the way funding is distributed. And that's leaving many charities feeling uncertain and under even more pressure than before. We're seeing grant application success rates dropping, which in the climate of additional pressures from the budget and commissioned funding cuts is creating what looks like unbearable pressure for many charities.

Chris: And it seems to me that the reverse should be true right now. Surely, funders should be stepping up and doing more rather than less.

Felicia: Yeah, just like they did during COVID-! And while some funders are being responsible, it's really clear that there are funders out there who are behaving very badly. They're not distributing their usual levels of funding, they're not communicating, and they're generally going about it all the wrong way. Now, unsurprisingly, these funders weren't willing to talk to us for this podcast. I reached out to about half a dozen of them and I didn't get any response. I also reached out to the ACF, the Association of Charitable Foundations, but I got resounding silence in response, which I think is really disappointing because this was an opportunity for them to share their perspective and justify their decisions, what's going on for them.

But we did get a great bunch of people to talk to us who were willing to share their side of the story. And we've got some incredible guests in this episode. So first, we're going to hear from Jo Jeffrey, a freelance consultant in Trust and Foundations Fundraising, who is the author of The List, which has been tracking and bringing together what's been going on with all the funders pausing, closing and spending out of late. We're talking about literally hundreds of changes happening over the last year, but nobody was bringing it together until Jo took that step.

Next, we're going to talk to Anand Shukla, the CEO of the Henry Smith Charity, a major funder. That charity is currently paused for applications. But as you'll hear, Anand and his team are really managing this process in a thoughtful and transparent way. So, there's a lot for other funders to learn from this, I think. And finally, we'll hear from Helen Gray, Trust Director for the Benefact Trust, who brings her perspective on what funders can do to minimise disruption for charities while continuing to deliver impact. Let's dive in and talk with Jo.

So, tell me, Jo, about this mega spreadsheet, aka The List in capital letters. What is it about?

Jo: The List was started about 10 months ago in March 2024 against a backdrop of some really big announcements from some Trusts and Foundations who had paused or were spending down on their endowment. So, we had Tudor Trust who were pausing to re-strategize, a full scale pause on their grant making alongside the spend out of, at the time, Lankelly Chase, Albert Hunt and Edward Gosling, I think. So, it's really big news and changes in Trusts and Foundations.

The List was started because I think you and I spoke recently about, as freelancers, we can have a step back from the day-to-day operations in charities and organisations and start to piece together a sector-wide jigsaw, really. So, there was general feelings of communications between organisations and grant makers. It was getting a bit quieter. Success rates were dwindling, but nobody could really put their finger on what was happening. And I was getting a snapshot on Salesforce here, a conversation and a comment there.

And it was the Gisela Graham Foundation that made me start to record some of the changes that were happening. They had announced, I think, this time last year that they were pausing their grant making due to the volume of applications, if I remember rightly. And that name was appearing in a couple of my clients' portfolios. Some lapsed funding. A client had had one gift maybe, but then had struggled to engage a second time round. They were kind of stuttering somewhat without an announcement. And when they did make an announcement, I'm like, I need to record that because that's important for me to know when I'm working across all my clients. And it really just snowballed from there. The List, all the mega spreadsheets, had the lovely Mike, from Lime Green Consulting, coined. I think that's probably quite appropriate because it's quite a beast of a spreadsheet. It's just a simple Google spreadsheet that catalogues changes, really.

Felicia: It certainly suggests something big is going on across the funding sector, doesn't it?

Jo: Yeah, I think when I counted last night, we've had 225 changes to grant making in the last 10 months. So, it's quite significant. It's not unique. So, there's not 225 Trusts and Foundations because the cataloguing has kind of snowballed as we've recorded information. So not just from pausing and spending out, but re-strategising. We've got ones to watch, ones that have closed their grant windows early or not at all. It seems to indicate the shifting sounds that were felt operationally, but not really recorded anywhere.

Felicia: Yeah, absolutely. What are you seeing? I mean, I'm hearing a lot of this stuff as well. I don't work in fundraising, but I'm seeing a lot of organisations really struggling with income. There's a lot of different complex factors going on. But when you look at the grant particular environment, I'm seeing this concern and worry. What are you seeing in terms of the impact of all of these closures and pausing's and spending out on your clients?

Jo: I think for the smaller organisations, particularly, but not limited to even larger organisations with bigger fundraising teams, are having to pivot very quickly to manage these shifting sands. We sometimes get very short notice of an opening of a window or closing of a window. And when you've got one member of staff managing five income streams and Trust and Foundations happens to be one of them, the impact is actually quite large. You have to stop, in some cases, the work you had planned for that week. And it happened recently in the last probably quarter of last year that a grant window was announced and people had to pivot and to make time for a very complicated application form to be done for not a huge amount of money.

Felicia: So, obviously, The List is just a statement of fact, it doesn't have any judgment in there about whether what's happening is right or wrong. But what do you think funders maybe could be doing better to mitigate the impact of what's happening?

Jo: I think the most frustrating thing for me is the lack of communication actually. When it comes to, we could talk for hours about why isn't the wherefores about why a trust and foundation is having to close. And I think the bottom line is that we very much understand that the volume of applications is having a huge impact on the grant maker side. I think that's a given that we absolutely understand. But I think what's frustrating for us is the lack of communication when it comes to having those decisions made, when an open grant making programme might be happening again, what the priorities are going to be. There's certainly some kind of twilight zones of Trusts and Foundations that have closed that we have no idea what is happening.

And that's not always the case. There's some really great good practice examples of how to communicate with fundraisers in the time that you're pausing. The Robertson Trust have been exceptional in their communication. They paused last year, I think last summer but kept their social media and their website up to date about the plans that they had coming forward and what their grant making was going to look like. I think that's my biggest frustration is the communication from the grant makers' side.

Felicia: Yeah, and it was interesting, actually, in setting up this podcast, obviously, I reached out to a lot of the organisations that have not had great communication. And naturally, they're not the ones appearing on the podcast because they haven't responded to the invitation to be involved. So, we haven't managed to secure one of the really wrongdoers, I think, in this. Obviously, we are talking to a couple of CEOs of grant-giving charities, but it is really clear that there's a lack of interest in that external engagement. And it just really seems interesting to me that this work that you're doing has been picked up by someone, you know, you're an independent fundraising consultant.

And I completely agree that as consultants, we absolutely step back and see the patterns that are happening, the bigger picture. It's why I started doing this podcast. But it feels like there are organisations out there that could have coordinated this. So, one of the funders themselves could have or people like ACF, IOF, one of the infrastructure organisations. I invited ACF to be on the podcast but got complete silence in response. I feel like they're there to do this kind of work. So, what do you think about this? Why do you think there's such a gap on this?

Jo: It's really hard to know. I mean, the power dynamic that exists between grant makers and grant seekers is perpetuating the kind of information flow, I think a lot of the time. And I just don't think it serves the usual audience. I mean, I set up the list because I wanted it to be a reference document that all fundraisers could use. It was timely. It was up to date as much as it can be. It was accessible. I didn't want it behind a paywall. It wasn't monetised in any way. I wanted it really as a reference point. I felt very passionately that fundraisers should have access to good information so they can inform their boards, can inform their senior management. They can pivot their strategy and manage their workflow on a day-to-day basis. This is really important because it takes a lot of time to put applications together. They're well thought out. The fundraiser is a crucial part of the staffing structure. They know about finance and budgets and service deliveries and stories of the clients and beneficiaries. It's a really joyous place to be,

actually. But it was, I just feel like that was the crux of the list, really. I just wanted the information to be out there.

And then the briefing note, the wider briefing note on Golden Ponds came because the general narrative was actually there's a lot of money out there, there's lots of grant making, but there was a mismatch between what was being said and what was being experienced. I really wanted fundraisers not to feel so isolated or not so alone in their experience of fundraising at a very tricky time. The landscape has changed significantly since the pandemic, and I wanted some paperwork somewhere to reflect that, because without that, we can't make informed decisions.

Felicia: I've seen a fantastic reaction to The List on LinkedIn. I think that what you've set out to achieve, you absolutely have. It's being referred to everywhere. It's just really managed to get out there. What is the reaction that you've seen to The List?

Jo: Oh, it's just been amazing. I mean, although I might be the face of The List, I think joy has been how much it's been a collaboration actually between everybody in the sector. I get regular DMs and tags. I get sent information to share. I think it's been a real bringing together, coming together. It's just been wonderful. And I think there's a real passion behind some collective voice when it comes to these changes. And I think because of the dynamic that exists between grant makers and grantseekers, lots of fundraisers don't feel like they're in a position to challenge or to question or to follow up what's happening. And I think that goes back to the communication.

I think bottom line is we just want to know that we could talk about whether or not it's the right thing to do or not. And that could be a whole podcast in itself, to be honest. But if you're going to make that decision, then communicate well with us and often so we know because small charities are really struggling with their resources. And it just helps us on a day-to-day basis to manage our workflow and our cash flow at the end of the day.

Felicia: Yeah, which is under huge pressure with all the changes and the impact. And I mean, there is an element that I think some of the organisations that have completely shut up shop while they do their strategy or where they do their rethink. There is part of me that finds that a bit inappropriate because it's one thing if you've continued to spend, if you've done something else to make sure that people are supported is one thing. But if you just shut up shop and you don't communicate, I mean, no charity has the luxury of doing that. You think about how we had to react.

Jo: Exactly. There's no parity, is there? I think there's no parity. We couldn't. Organisations just can't shut up shop, can't shut down service delivery at a time when it's very much needed. You know, we're seeing demand going through the roof for most charitable organisations. And the thought of closing down to re-strategise is just something that we couldn't even fathom. So, no, it feels very unjust and very unjust and very unfair in my opinion. But...

Felicia: Because demand is too high. It does. It feels like a luxury that the average charity doesn't have, a bit like during COVID when you could furlough all your staff. And it's like right now we are needed more than ever. We need to adapt. We need to be reaching people in harder situations, not putting everyone on furlough. And I think this is always the challenge, isn't it? The sector has so many different pressures on it. But to have members of our sector grant these places, these people are organisations, these are charities as well, just like us. They're registered charities. And for some reason, for some of them, we see them being able to make this decision that seems counterproductive to what they're there to achieve. So, yeah, I definitely do have. I do strategic planning with organisations. I've worked with funders as well in

strategy and you think you don't need to stop. Why are you stopping? Nobody else gets to stop. It's something you have to keep going while you're re-strategising. But yeah, it is.

Jo: Absolutely. I mean, but the positive thing is the list has been used by grant makers to, I was told earlier, later last year, that a trustee had used the list to increase the average grant and to increase expenditure. So, it is being used by grant makers now as well. You see, I don't know how much discussion goes on between grant makers about, we're seeing quite a domino effect at the moment, aren't we? One trust and foundation pauses or closes their window. So, we pivot our research or prospect research and our applications to another trust, Trusts and Foundations are experiencing huge volumes. From the information that we do have, that's something that comes up very often. We know behind the scenes that staffing of Trusts and Foundations isn't huge. So, there's often a part-time clerk or a part-time manager behind a trust and foundations who's having to review hundreds, if not thousands of applications per window. So, we understand that it is particularly tricky at the moment.

Felicia: We are seeing so many financial pressures in the sector, whether it be the changes to national insurance, which are affecting organisations with a number of staff, whether it's the continued underfunding of local authority and health contracts that are being propped up by charities, drops in international giving, cost of living crisis. It just feels like it's layer upon layer of issues. So, no wonder there's a greater demand on the kind of grant funding avenue.

Jo: I think it's been the incessant nature of the changes is something that really disturbs me. It's the pace of which we've seen these changes. And every time I think, oh, it's been quite quiet on The List this week. All of a sudden, it kind of flurries of information come in and there's changes being recorded. And I think that's something that keeps coming back to me is in the pandemic, I think it felt a little bit like the walls had come down, there was joint funding, there was emergency funding, there was turnaround. And now I find, yeah, unrestricted... And now it feels like not only have the walls gone up, I say this quite often, not only have the walls gone up, but the turrets have gone up on top. It feels like there's been a movement away from three-form case for support, where you could just submit a full page of the covering letter to increasingly complicated application forms with character boxes or word boxes and word counts. It just seems to be more complicated than it was four years ago, and for not huge amounts of money, sadly.

Felicia: So, what's next for The List?

Jo: Well, we've got an exciting collaboration with the University of Manchester, who approached me after seeing a LinkedIn post, I think. They offered to collate some information. It's very much a snapshot of the financial loss of the grants to the sector at a given point. So, it would mean one of the students, I think a PhD student, is taking a deep dive into all of those charity commission websites and accounts to quantify, really, what this has meant for the sector.

I mean, NPC did a great report last year, the state of the sector, that talked about how much, not just trust and foundations, but additional income popped up in public sectors. And I think it was something crazy like 2.4 billion. It was quite significant and probably underestimated, actually. They did a great job in putting it together. But I think some of those figures will be really interesting to see, because organisation to organisation, you can see the impact on income and targets. But I'm fascinated by what they're going to find. Yeah, I'm having a conversation with them shortly about how far they are down the road.

Felicia: That's brilliant. That sounds like such an awesome thing to be involved in.

Jo: Oh, yeah. And it's great. I mean, yeah, there's no money to do this. This is just them using their resources to help. I think that's been really great as well. Everyone's collaborating together to try and put pieces of information together.

Felicia: That's what I love the most about this sector, though, to be honest. As consultants, technically, we're all competitors and nobody behaves that way at all. It's so collaborative and all motivated by this genuine care about the sector and how to make it more effective. So, it's such a privilege being in it.

Jo: Oh, absolutely. I think, I want fundraisers particularly to have a voice, even if they feel like they haven't got one or can't come forward with one. I want them to have the right information in a good, timely manner. And it's just been incredible. Like you say, it's an area where we could be competing for work, especially in scarce times and times that are fearful and worrying. You know, it's lovely to be part of a real collective.

Felicia: That was Jo Jeffrey, a Freelance Trust and Foundation's fundraising consultant. Now we're going to speak with Anand Shukla, CEO at Henry Smith Charity.

Thank you so much for joining us today. We really appreciate you being on the podcast. Can you tell us what's been happening at Henry Smith over recent months?

Anand: So, in the last year, the Henry Smith Charity, which is a grant-giving foundation, has changed its strategy and will be launching a new programme later this year. To prepare for that, we closed to new applications in the middle of 2024. And I think that that's one of the reasons you've asked me to come onto this podcast to discuss that.

Felicia: Absolutely. We really wanted to get a kind of view from the other side, so to speak, because many funders have paused grant-making recently. So, could you just walk us through the rationale behind this decision at Henry Smith?

Anand: Of course. So, there's a few things to bring out. So, the first is that we have a grant-giving budget that we put into the sector every year. Last year, in 2024, that budget was £42 million. All of that budget was distributed through grants in 2024. So, even though Henry Smith closed to new applications in the middle of the year, we actually assessed a full year's worth of applications within what was a nine-month period. And we actually awarded a full year's worth of grants. So, that was very important to us. Because while we decided to have a period between closing down the old grants programme and opening up the new one, what we wanted to do was to ensure that the flow of funding to the sector remained uninterrupted. So, the entire grant-giving budget went out in 2024. And what's more, we also gave bridging funding to organisations whose grants came to an end in the period that we were closed, and that put an additional £11 million into the sector. So, we spent £11 million more than we would have done in a normal year.

As we come forward into 2025, we'll be opening a bit later in the year. And what we are going to do is, in the next few weeks, announce funding partnerships with other funders to cover the period that we're closed this year. So, by the end of 2025, our planning is that the amount of money that Henry Smith puts into the sector would be similar, if not identical, to what we would put into the sector if we hadn't closed a new application. So, the flows of funding to the sector will remain the same, even though we are transitioning between strategies. So, that's the first point that I think is worth making, that the amount of money going into the sector from Henry

Smith in 2024 is the same as it would have been, plus the additional £11 million. And it will be a similar amount in 2025.

So, then, coming on to your question, which is, why did we pause? I've worked in many other organisations where we don't have the luxury of pausing, so why is a funder pausing? And I did take some persuasion, actually, when we were discussing how best to transition. This is the first time I've ever worked in a foundation. Most of my career I've spent in charities, service delivery charities, research and policy charities, influencing charities, campaigning charities, where we haven't been able to do this. I was persuaded that because the changes that we're bringing into the way in which we do grant making are so fundamental, we needed some time and space to be able to do those. We're going to be working more relationally. We're going to be operating much more as a strategic grant maker.

And our experience before my time, when we changed strategies last time, was that we gave six weeks between closing down one strategy and opening up a new one. And there wasn't the time and space to prepare and bring in the changes that we wanted to bring in. So, I was persuaded that having a period of months rather than weeks to introduce the new strategic framework was important. But the condition that I laid down was that I wanted the flows of funding to the sector to remain the same. So, that was the logic behind the approach that we've taken.

Felicia: I think it's such an important point, and I wish that that was the case with all the funders. But of course, I think the ones who haven't taken this approach were the ones who didn't agree to talk to me on the podcast. Can you tell me how will your new strategy address challenges in the funding landscape? It's really hard out there at the moment. So, as a funder, what are you going to be doing to really address some of these challenges?

Anand: One of the things which I touched on earlier is working much more collaboratively with other funders. So, we will, in the next few weeks, be announcing new funding partnerships with other funders who work in similar areas to us. And this is something that, yes, we're doing in this year of transition, but could be something that becomes more part of our established practice. And I think it's very important. If you are an organisation, let's take my example, working in the early years 10 years ago, and you are submitting lots of funds to funders with similar criteria, but all slightly different and all slightly different application forms, that's quite a big overhead in terms of your time. And if you have funders working in similar themes, similar programme areas, collaborating on, say, pooled funding programmes or whatever it is, that, in my view, should make life slightly more straightforward for organisations that are applying. So, that's one of the things that we are looking at to support organisations.

Another big change to how we currently operate is that we're going to have capacity building funding or Funder Plus as part of our new model, and as well as giving organisations revenue funding to do the great work that they do. And we will continue, by the way, providing long-term core cost funding in the way that Henry Smith has done for many, many years. We will be providing dedicated funding for organisations to strengthen in areas that they choose, if you like. This isn't going to be mandated by the funder. So, whether it could be governance, it could be fundraising, it could be social media, it could be technology, but we will provide that support so that at the end of a grant funding relationship, the organisation should be stronger than it was at the beginning.

So, those are ways in which we're looking to support the sector with the many challenges that are out there, and I'm sure there'll be lots of other ways as well, but those are kind of two big initiatives that we'll be doing as part of the new strategy.

Felicia: I am a huge fan of Funder Plus. I think it's so important because it's so hard to get money for those kind of things. Now, obviously, I would say that I work in organisational effectiveness and governance and strategy, but it is the thing that so often organisations are not resilient. They can't get through crisis because they haven't had that kind of funding for that kind of work. So, I think it's such an important thing to be doing.

Now, obviously, out in the sector, there's a lot of fear, there's a lot of frustration, there's concern, all of these, the list that Joanna Jeffery put together, which sets out this broader landscape that we're seeing of a lot of funders doing this at the same time. So, you see a lot of charities are getting very worried, concerned, angry even, and I think that's the thing, the pausing does create this uncertainty, and obviously, you made the point that you have spent the same amount, you've done the bridging funding. So, I think there's a lot there that you've done to address that from Henry Smith. But how did you communicate this decision? I think that's one of the other things that comes up a lot, that we don't always get the best communication from funders, and that contributes to that uncertainty. So, what did you do at Henry Smith around this?

Anand: Yeah, and I think that point about poor communication is a fair one. What we did is that we announced that we would be pausing to new applications a month before the deadline. So, sometimes, funders will have different views on this, sometimes it's not, you don't get very much notice at all. We decided to take a different view based on how long it would take organisations to write applications, particularly for their fundraisers, on holiday for two weeks at that time. So, we wanted to give time for that to happen. What it meant, which we knew would happen, is that the volume of applications would go up, and, you know, kind of, it went up fivefold, sixfold, there were a lot of applications that came in. So, essentially, we did have a year's worth of applications in, well, being open for six months. So, we gave people a month's notice.

As far as I'm aware, we didn't have people coming to us saying, hang on, we didn't know you were closing. We got the word out there; we communicated it proactively. It may have happened, but I didn't get any complaints coming to me. So, that notice period of four weeks, plus the bridging funding, was our way of approaching the transition. We'll be doing a learning exercise at the end of this period, when the new strategy is up and running, and see where we could improve. But from our point of view, the trustees were very clear on this, I was very clear on this, we wanted to behave responsibly, and this was our judgment of what behaving responsibly looked like.

Felicia: Absolutely. And I think that's sometimes where that frustration comes from in the sector, because there is this luxury of being able to close. If you've got service users coming in every day, you can't do that. We all went through that during COVID, seeing businesses be put on furlough when charities didn't really have that luxury. So, yeah, I think that is really important.

I mean, it's funny, one of the things that I felt at COVID was there felt like there was a bit of a change in how funders and charities, grantees kind of work together. It felt like in a lot of cases, funders relaxed their rules, they let charities decide where money needed to go. And as a result, I saw some really quite extraordinary creativity. And as a result, I saw some really quite extraordinary creativity and innovation from the charity sector in what was a really, really

difficult time. And I felt very optimistic at that point, look at what's happening, actually these barriers are being broken down. And I think that's why at the moment, when we're seeing so many funders who aren't communicating, who aren't continuing to spend the money, it feels a bit like a step backwards because we did so well during COVID, we kind of, we partnered together, and we had such a positive thing. So, it's great that you've continued that through. I would love to see the wider sector doing that as well.

Anand: And that language of partnership, I think, is really important, actually, rather than kind of foundation and grantee or whatever it is. I mean, sometimes, you get the sense that it can be used as window dressing, but certainly not from me. My objectives as a chief executive of Henry Smith are around achieving social impact, I can't achieve any of that without the organisations I work in partnership with. So, it is a genuine partnership. And I think that that language that you use is spot on.

Felicia: You can feel it from the other side, though. When I think about organisations I've worked with when I've been interim CEO and the ones that live and breathe that partnership, you can feel it when you're working with them, as opposed to the ones who you feel a bit Victorian, like they're bestowing money, and you've got to genuflect and everything. So, it's, yeah. What's been the response? I mean, it is tricky to respond to funders, I think, because there is that power imbalance. But what kind of response have you had from potential grantees, the wider sector to this decision?

Anand: Well, as you say, there is a power imbalance. So, I think, people are, let's be honest about it, reluctant to criticise funders because they're worried that that may cause problems in future. So, you have to bear that context in mind. I'm not sure I ever criticised a funder when I was working in the sector for that reason.

I think, though, that the comments that have been made, that I either made to me personally or that I've seen on our social media channels have been fairly positive. I think there was a, oh, no, there goes another funder, which is pausing. But as I said, there was four weeks' notice. The bridging funding has been very well reviewed and received, not just by the organisations that have received the money. Organisations that receive money are always very grateful. But I think more generally, it was seen as an example of progressive and constructive practice.

Felicia: Now, I know you mentioned that you're going to have a lessons learned review in due course. And it sounds to me like there are lots of things that you've done differently from perhaps the vast majority of others. But if you've got a funder who is considering doing this, what kind of lessons or advice would you suggest to them to consider to be able to get through this in a way that's considerate and supportive of the sector?

Anand: It's very interesting, isn't it? It depends on, because each one of the things that I've learned were coming into the funding world, and I'm about to hit year, come up to my three-year anniversary, so I'm, compared to other people working in the funding world, still quite new. I think funders are very different. So, it's quite difficult to give specifics, do this at this time or don't do this at that time or whatever it is. I think that I'm pleased with the absolute criterion that we lay down, that the funding flows to the sector need to be maintained while we transition. So, what that has meant is that we have had to flex. We've had to adjust. There's been a lot of work at particular points, particularly in the three months after closure, because we didn't want people to wait and so on.

So, thinking very hard about resourcing implications as you're doing that and whether you expand that temporarily or, you know, there's lots of different ways of doing it. So, thinking very hard about resourcing applications. I suppose the other thing, and this isn't something that we did particularly, and I think is a fair criticism of the funding sector, is that we should work more closely together. Actually, funders like, actually not so much Henry Smith, but there are funders who encourage collaboration between organisations applying for funding, and there's a little bit of Dr Heal Thyself. We could do that a bit more collaboratively.

We are independent institutions, of course, and you have the usual issues there. But it's something that I'm very keen to work on this year, which is to develop many more collaborative partnerships with funders working in areas and to have much more of a sense of when a funder decides to make a pause, let us say, for a few months, what affect that has in the wider ecosystem. Because the word ecosystem gets used a lot. I've never seen it, actually. And I think some work needs to be, you know, it'd be good to do some work on that. So, I think those are the two reflections that jump to mind. One is think very carefully about resourcing. Well, three. The first is we have a duty, in my view, to maintain funding flows to the sector at any time, let alone at a time that is difficult like this. Two, if you're making adjustments, think about your resourcing carefully. And then three, let's see what more we can do as a foundation sector to collaborate.

Felicia: I mean, I do think it's really interesting that the person who's pointed this out is an independent fundraising consultant. This is Jo making this list and actually showing how many funders are doing this at the same time and not just obviously pausing for strategy, but also spending out or no longer being open to wider applications. And I think it is obviously symptomatic of the increasing demand that's happening and all the other things that are going on in the sector with funding. But it does strike me as interesting that this hasn't come from some kind of coordinated decision-making collaboration from the funding sector. It's kind of been picked up that everyone's doing something similar. And I would think someone in maybe one of the infrastructure organisations could have coordinated this better. So, we didn't have them all doing it at the same time. But we are where we are. But I think it's just really important that funders are thinking about these things that you talk about so that it's as least impactful as possible. What do you think the implications are of what we're seeing now across the funding sector? What do you think might be coming next?

Anand: I don't know if there are any kind of major things that I can point to. I suppose one thing which we haven't discussed yet is around AI and AI-generated applications, because the number of applications does seem to be increasing from what I've seen anecdotally from my conversations with other funders. Now, part of that may be driven by extra demand. I'm sure a lot of it is. And I'm sure some of it's driven by artificial intelligence supporting organisations to write fundraising bids. And I'm probably supportive of that, actually. You know, I think it levels the playing field, really. But it does lead to a volume issue, actually. And that is something that I think we need to look at very, very carefully, because while the volume of applications will go up, I suspect the volume of available funding won't go up.

Felicia: Yeah. And I think we've got so many other – like the funding in other sectors as well are coming into this sector. So, the health funding, the local authority funding, that's also being affected. So, that just increases the pressure, doesn't it?

Anand: Yeah. No, that's right. So, yeah, exactly. What's happening to statutory funding as well? So, as challenging a time as I have known in, goodness, 20-odd years now working in the charity sector.

Felicia: I remember when 2008 felt like it was, you know, the worst situation, and now I look back on that and think, yeah, we were still able to get one in three grant applications and there was enough money going around, comparatively speaking.

Anand: One in three is fantastic.

Felicia: Well, back then, that was considered like your target. I remember it was like one in three. You know, if I did better than one in three, I was feeling pretty awesome. I've never been a pure fundraiser, but fundraising is one of those things that comes in and out of so many jobs. But, yeah, these days, I mean, hearing people talk about one in 10, one in 20, which then starts making the idea of, let's say, an external fundraising consultant, maybe not as cost effective as it used to be. So, yeah, it's a really tricky thing.

That was Anand Shukla, CEO at Henry Smith Charity. Last but not least, we'll hear from Helen Gray, Trust Director for the Benefact Trust.

Felicia: Thank you so much for coming on the podcast to talk to us. You are not one of the funders who have closed or paused your program, but it's just really useful to have you on to just get a bit of a perspective about what is going on for funders at the moment, what's happening and how maybe funders can respond to that more constructively. So, can you tell us, what are you seeing in terms of what's happening for funders at the moment?

Helen: I think there is a lot going on. And I think one of the things that funders do seem to be facing almost universally is a huge increase in demand for support. And there's lots of things, I think, that are driving that. But just looking at Benefact Trust, between 2022 and 2023, we saw a 45% increase in the number of applications coming to us. And there are some reasons for that. We had new programs and there was a sort of a smaller uplift last year. And I think that is a trend that's being seen across the board.

And I think when you look at the huge demand that's been placed on charities at the moment, because they're facing huge financial pressures, they're also seeing a spike in demand for their services all at a time when their income is dropping. And that income isn't just from Trusts and Foundations, it's from private philanthropists. It's, I think, particularly government cuts and local authority cuts having a huge ripple effect on the charity sector. And we term the phrase the perfect storm, but it really is a perfect storm. It's all come at once. And yes, we are seeing a huge impact because of it. I think that's affecting all funders.

Felicia: Absolutely. So, how is this, I guess, perfect storm affected your approach to grant making?

Helen: So, I think it's made us really listen to what our beneficiaries are telling us. That's something that we're keen to have a really good dialogue with the people that we're trying to support, because actually, they're at the front end of it. They know what's happening. They're seeing changes in social need in a way that we're not directly seeing.

Felicia: Collaboration is such an interesting thing, because when you see that in the funding sector as well, it varies enormously. So, some funders are really collaborative. Many do it entirely alone. I think what we're seeing with the list, the mega spreadsheet, is a lot of funders in

isolation doing the same thing in terms of pausing or shutting down funding. And we're not seeing maybe that coordination of collaboration amongst funders that we might expect from organisations like ACF or the like. How important is collaboration to you from a funder perspective?

Helen: I think it's really important. I used to work for a community foundation, and they work very collaboratively. They just do this full circle across the country. They work well. And I think one of the reasons I was very keen to join Benefact Trust is not only a scale of giving, but it is a member of the Christian Funders Forum. That is a collaboration of over 40 funders. We all have a similar ethos behind our giving, but we are all distinctly different. And yet, we all have a real appetite, I think, to work together, to share best practice, to co-fund initiatives where we're able to. The Big Give is a good example where a few of us have come together to set up a pot of funding.

I know Wolfson Foundation, for example, works closely with the National Churches Trust, and the National Churches Trust delivers their Christian funding on their behalf. So, there are some really good examples of collaboration, but I'm sure there's scope to do more. And I think during the pandemic, funders did respond well. They probably relaxed some of their rules a little bit, and they put more trust with the charity. And it'd be good to see some of that being reintroduced where perhaps it's been slightly regressed. But I do think the Christian Funders Forum is a good thing. It's just this great forum where there is an appetite to collaborate more. And we would say that we collaborate also with some of the beneficiaries we work with. It's not just a purely financial transaction. We try and provide further support to them. We run a series of podcasts ourselves, and we try and shine a light on some of the social needs those charities are working to address. So, there's some really good examples of best practice, but there's a lot more, I think, that could be done.

Felicia: Now, obviously, what we're seeing is this huge increase in applications. And I know that a lot of funders are really concerned about that wasted time, the wasted money that goes into writing applications that might have a tiny chance of success. I was just today reading an article on Third Sector about a grant funder who said 45% of their applications aren't even meeting their basic criteria. They've shut down their application process for a review. And I felt a little bit like, well, in that situation, surely you could have an eligibility pre-question to get into the system. So, it felt like I was a bit annoyed when I saw that one.

But I completely understand the fact that we don't want organisations to waste their time. So how do you balance that need for you want an effective, impactful funding decision at the end of it, but you don't want to necessarily waste the time of those who won't be successful, or even the time that those who are successful go through to get that detail in the application? So how do you manage that tension?

Helen: I think it is so important that funders are always conscious and aware of the cost implications for fundraisers and charities applying for funding. There is a cost. There's an overhead attached to it. And actually, there's nothing more demoralising for fundraisers to keep applying and keep being rejected. And anecdotally, I've been at dinners, and I've heard from fundraisers who are saying it is harder. The odds of securing funding generally have decreased. And again, that's down to competition, sometimes closing their doors or pausing their funding. And I think a funder has a responsibility to be incredibly clear on what its priorities are for funding.

I think because we're a Christian funder, we have pretty clear criteria around what we can and can't fund. We're also a funder that really encourages dialogue. I know some funders don't take calls or can't take emails. It may be a resource issue. We quite welcome it, because actually, if we can talk to applicants really at the outset, it enables us to be really transparent and say, yes, we think that may be of interest to our trustees, or no, it's not likely to be. And I think it's only fair. It's fair on the applicants. It's fair on us as well. We don't have infinite time. We want to make sure that we can direct our time when we're most likely to be able to deliver a grant at the end of it. So, I think clear communication is really, really important.

And it's interesting you've touched on the fact that a number of funders have closed shop. And I have some sympathy. I think there were cases, aren't there, recently, particularly in London, I think, where a major funder has closed their doors simply because they cannot cope with the volume of applications they've received. And while it must be so frustrating to the charities trying to access that funding, it would almost be worse if they kept their doors open and people carried on applying and actually had no chance of funding. So clearly, some organisations just need to take stock. They just need to take some time to review what they're doing. I think from Benefact Trust's point of view, we're really keen to keep the doors open. I can't promise there wouldn't be a time when we may have to close something for a temporary period, but our objective is to be accessible and to keep the funding going.

Felicia: Yeah, I do think there's frustration when it feels like funders have a luxury to pause in the way that those providing services don't. And we've talked to the CEO of Henry Smith, who actually pre-gave all of the grant costs for that period of time when they shut down, which obviously is a

much more responsible way of doing it, I think, than those who just very little notice, shut down and then closed for ages. Because it is a little galling, I guess, from the perspective of charities. But you're absolutely right as well that we don't want to waste the time of charities either. So, I think this is where this balance of interests is tricky.

Helen: And I don't suppose, again, it's not my direct experience, but I can't imagine a charitable trust would take the decision likely to close. But I mean, it's not something I would ever want to have to do myself. But yes, I mean, with Trusts and Foundations closing or choosing to spend out, a couple of other larger charities that at the moment have made a decision that they're going to completely spend down their endowments. The reality is that although there are new Trusts and Foundations coming on stream every year, at the moment, I can't quite see them making up the shortfall of some of those larger ones that have made the decision to really close.

And having worked in a previous role where I built up endowment and very much the principles about long-term giving, I do feel quite sad when I see historic Trusts and Foundations make a decision to close. But clearly, there are good decisions behind it and rationale that I'm probably not privy to. But again, from a fundraiser's perspective, it's a bit challenging to see some of those things closing.

Felicia: I think that is the nub of it, isn't it? You mentioned communication before, and I think there is this incredible frustration in the sector when you have these large grant funders who don't communicate well enough. You get this poor communication. It's often a couple of sentences on their website, not a lot of detail around why they've decided it. And you think so often in the charity sector, we're looking for kind of transparency and explaining things and being public about why decisions are made. I think it's where we see that power imbalance come out,

that sometimes funders seem to get away with doing things behind closed doors and in a way that doesn't seem to prioritise the interests of the beneficiaries.

And as you say, there might be very reasonable, very good reasons behind it, but that's not being communicated. So, what do you think funders could do to improve that communication and open up that transparency with the sector?

Helen: To be honest, I think we've touched on it. I think it is about being honest, being open. And there is some really good guidance out there for Trusts and Foundations. And I think transparency is one of the criteria against which many of us should really be probably assessing ourselves. Is it clear how decisions are made? Just simple things like before someone applies to us, they can download the questions that they will be asked. And I think that's helpful. So, I'm conscious that as a fundraiser in a previous life, it can feel onerous to apply for funding. But actually, I hope I can speak on behalf of the wider sector that when we ask a question, we do use the answer to help make a decision and to inform whether or not funding can be allocated.

So, there's sort of a balance on both sides. And you're right, there is a power imbalance. And we should all be really conscious of that. But we need to have enough information to make an informed decision, I suppose that's what I'm trying to get to on that.

Felicia: That was Helen Gray, the trust director for the Benefact Trust.

Chris: Well, massive thanks to all of our guests, particularly Helen, our ultimate owners of the Benefact Trust. I think what really is standing out to me is just how much pressure, that is a word I think that was used an awful lot during those interviews, how much pressure there is in the sector. Charities are already stretched. And when funders pause or make significant changes, even the tiniest tweaks can have really big effects across the sector and across specific charities and organisations.

Felicia: Yeah, it really is, as I think Helen said, they're the perfect storm, which makes it all the more important that funders think really, really carefully about their impact and communicate much more effectively. And I totally understand that other perspective. Funders don't want to be rejecting thousands of applications. They don't want that time wasted. That costs money for charities, too. But that care for the sector isn't being upheld if you're not being transparent or communicating adequately.

Chris: Yeah, I think listening and communicating came up a lot today. And as a corporate funder, listening to the guests also brings it home again, what an immense responsibility and duty that we've got to do our job well. Funders are serving charities, not the other way around. And we shouldn't underestimate how changes or approaches we think are pretty insignificant have massive implications for charities seeking our funding. So just tweaking a funding condition or timing here, change the deadline there, and this can send charities into freefall. And I think we're still – don't be clear about what is required or why you're doing something. And I do see this a lot. And we do it ourselves. So, charities asking what we're expecting in terms of reporting or evaluation, for example. We're quite pragmatic and supportive, we think. But if we don't say that and make it super clear, I think it causes real unease and concern for charities.

Felicia: Yeah, absolutely. It is so interesting, I think, to see the massive divide between funders who really invest in good governance, collaboration and communication, and those who don't. I have this theory. I've worked with a lot of funders, and I see those funders who have their own money, they don't have to jump through the hoops of other funders. They tend to be under less

pressure to meet good governance standards. And so, at times they can end up being in their ivory towers and forgetting why they're here and really just forgetting that there's good practice out there, that there's different ways of doing things, that they can do it better if they come together. And we're all charities at the end of the day. We're all registered charities. None of us should be stopping meeting the need we're there to serve, no matter whether we're grant givers or grant receivers.

Chris: Yeah, I think in our last episode, we talked about the charity CEO being an impossible job. I think these conversations have highlighted how the fundraiser job is vying for the title of even more impossible. A variety of funders with different funding criteria, processes and timings is a massive challenge. But I think when we're sprinkling in the fact that funders are changing, stopping, not explaining what they're doing, I don't know how it's possible for fundraisers to keep up and keep delivering for their charities, which they have to do. And I think they should be completely forgiven for pushing out some stacks of AI-driven applications because they just have to, because it's not making things any better, but they're being pressured into that position, I think.

Felicia: Absolutely. And they get a lot of pressure from their board as well on that. You see a lot of boards where there's a hole in the funding. Immediately, that's on the fundraiser to fix. It can be really difficult. I also think it's striking how many funders seem unwilling to invest in their own infrastructure. Spending a bit more on staff or consultants could help them manage strategic reviews without having to pause funding or process a year's worth of applications all at once. I think this reluctance mirrors this broader issue we see in the sector of funders being unwilling to cover overheads in the charities they support. Funders need to invest in their own capacity, whether that's more staff or bringing in consultants, whether that's governance reviews, all of those kinds of things to make sure they're operating at an effective level and avoiding disruptions like pausing funding streams.

And I have to say, it's one of the things I find most galling. As a strategy consultant, I'm constantly working with charities doing strategic reviews and they have to continue to deliver their complex services. They don't get to stop and shut down, arguably in significantly more challenging circumstances. So, it does stick in the, what's the word? Stick in the guts, guts in the gills? I've said the wrong thing.

Chris: Stick in the throat, maybe.

Felicia: Stick in the throat. I should have thought about what that phrase was. They don't get to stop and shut down, arguably in significantly more challenging circumstances.

Chris: Yeah, I think maybe it's an obvious conclusion that we knew we were going to come to, but the overall takeaway is that the sector is under massive pressure. Both funders and charities need to work more closely together to get through this. So that communication, that transparency, that mutual support are the things that will make this situation better.

Felicia: Completely agree. So, thanks to all our guests and thanks to all of you for listening to For Impact: The Charity Podcast. See you next time.