

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

Wednesday 10 February 2010

Session 3

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LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE **5th Meeting 2010, Session 3**

CONVENER

*Duncan McNeil (Greenock and Inverclyde) (Lab)

DEPUTY CONVENER

*Alasdair Allan (Western Isles) (SNP)

COMMITTEE MEMBERS

*Bob Doris (Glasgow) (SNP)

*Patricia Ferguson (Glasgow Maryhill) (Lab)

*David McLetchie (Edinburgh Pentlands) (Con)

*Mary Mulligan (Linlithgow) (Lab)

*Jim Tolson (Dunfermline West) (LD)

*John Wilson (Central Scotland) (SNP)

COMMITTEE SUBSTITUTES

Brian Adam (Aberdeen North) (SNP)

Margaret Curran (Glasgow Baillieston) (Lab)

Alison McInnes (North East Scotland) (LD)

Margaret Mitchell (Central Scotland) (Con)

*attended

THE FOLLOWING GAVE EVIDENCE:

Gavin Davey (Gannochy Trust)

Giles Ruck (Scottish Community Foundation)

CLERK TO THE COMMITTEE

Susan Duffy

SENIOR ASSISTANT CLERK

David McLaren

ASSISTANT CLERK

Ian Cowan

LOCATION

Committee Room 2

Scottish Parliament

Local Government and Communities Committee

Wednesday 10 February 2010

[THE CONVENER *opened the meeting at 10:00*]

Voluntary Sector Grant Providers

The Convener (Duncan McNeil): Good morning and welcome to the fifth meeting of the Local Government and Communities Committee in 2010. I remind members and the public to turn off all mobile phones and BlackBerrys. The only item on our agenda is evidence from voluntary sector grant providers. I welcome the witnesses: Giles Ruck is chief executive of the Scottish Community Foundation and Gavin Davey is general manager of the Gannochy Trust. Unfortunately, Mary Craig of the Lloyds TSB Foundation for Scotland has been taken ill and is unable to attend—the committee wishes her a speedy recovery.

I offer the witnesses an opportunity to make opening statements.

Giles Ruck (Scottish Community Foundation): Thank you for the invitation. I will give the context from the Scottish Community Foundation's perspectives, of which there are two. One is our donor service perspective—where our funds come from—and the other is the grant-making perspective, which is about where we distribute funds and what we see happening there.

I will make a couple of headline points. I believe that our submission was circulated only earlier this morning, so I apologise for the short notice. The Scottish Community Foundation currently distributes about £3.5 million per year. Funding has been sustained over the past couple of years and, if anything, it is growing. I should explain that we work with about 200 different funders, which are predominantly in the private sector. The fact that funding has been sustained suggests that community philanthropy is pretty resilient in a recession, so, in respect of the high net worth individuals for whom we provide services, there has not been a great impact on their support and their giving. I include in that families such as the Grant Gordon family, which owns William Grant & Sons Distillers Ltd—we work for them distributing funds—and the people who run the Volant Charitable Trust, which was set up by J K Rowling. Such services are not diminishing: if anything, they are increasing. I think that that is because they are responding to what they see going on in a recession.

It is a different story with our corporate clients. For example, companies such as BSkyB have changed their corporate social responsibility policy so that it is more about employee volunteering and less about community donations, so we have seen a decrease in donations. Likewise, the Royal Bank of Scotland was a long-term sponsor of our event, the Caledonian challenge, which raises about £1 million a year for communities, but it has ended a long-term deal on title sponsorship. There is a bit of a contrast but, from the foundation's perspective, because of our diverse funding base we have managed to keep our funding pretty stable.

From the perspective of distribution, we make about 2,000 outbound transactions per year—we believe that we are Scotland's busiest grant-maker—and about 800 of those are open awards. We receive about 1,500 applications on an open basis and we fund about half of those each year. Many of them—well above 60 per cent—are small community charities and organisations. Many grants are under £25,000 a year, and many are under £10,000. The effect of the recession is not coming through now, but will do so in about a year. By that, I mean that although we have not seen huge changes and shifts, we are picking them up anecdotally. We are finding it difficult to unpick the exact impact of the recession from public sector funding constraints, with which it is connected in a macro view. I will not rehearse all the points that are made in our submission. We note more anecdotal changes. The data are not yet proving to us the impact of the recession; as I said, we will probably see it in about a year. I am happy to talk about that further.

Gavin Davey (Gannochy Trust): Good morning and thank you for your kind invitation. As the committee probably knows, the Gannochy Trust is one of Scotland's traditional funders. It was established in 1937 by A K Bell on the strength of his success in the distilling industry. A number of people believe that we operate only in Perth and Kinross, but our footprint was in 1967 enlarged to cover the whole of Scotland, albeit with a preference for Perth and Kinross. The reason was that, in those days, the trust could not spend all the money that it had as a result of its investments. I should add that that is certainly not the case at the moment.

The trust was also charged by its founder with providing relatively low-cost housing for rental, with providing sports facilities and with managing land as a public amenity. Because of the way in which the trust deed is set out, providing support to charities appears to be our lowest priority, although it is, in reality, our highest priority. We provide lifelines to some organisations through relatively small grants, and we contribute to

projects right up the scale, including some sizeable landmark national projects.

I joined the trust two years ago, since when I have delivered a strategy review for the trustees. That was not driven by a forthcoming recession; the review was undertaken because the trust needed—like similar organisations—to change and modernise. Having conducted the strategy review, we are now in good control of our destiny: we know where the taps are and can turn them on and off, depending on how the recession hits. We have been exercising that control over the past year. In conducting the strategy review, our clear purpose—which proved extremely useful as far as the trustees were concerned—was to ensure that we met the terms of our original trust deed, as laid down by our founder.

The strategy also moved us from operating on an input basis with the traditional sectors to which we have contributed, to operating on an outcome basis according to the four themes that are outlined in my written submission. It is fortunate that the strategy came out at the same time as the single outcome agreements with local authorities, which means that we speak about, deliver and—which is probably more important—clearly understand outcomes for local authorities and the people whom we support.

Over the past four years, our grant making has averaged about £4.2 million a year, but has gone up and down depending on available funds, the expectations of the organisations that have needed funding and the recession over the past 18 months or so. I am sure that we will expand on that in the next wee while.

The Convener: Thanks very much, gentlemen. We will now have questions from the committee.

Alasdair Allan (Western Isles) (SNP): Like the convener, I am disappointed that the Lloyds TSB Foundation for Scotland is not represented here today because of illness. In the written evidence that we have received, slightly different pictures emerge from the different grant-making organisations. The picture that emerges from the Lloyds TSB Foundation is that it would like to do much more but is having to withdraw from some areas because of its predicament. That does not seem to be the picture that is presented by you. Is that unfair?

Gavin Davey: The greatest difficulty at the moment—it is recognised by the Scottish grant-making trusts group, of which I am a member—is in defining the Scottish funding or charity landscape. I do not think that we can do that in one go. However, we are trying to identify the factors that will influence the Scottish funding landscape, which is dynamic. It takes only one company's profit or loss, or an announcement that

a funder such as Laidlaw Youth Trust, Moffat Charitable Trust or even Lloyds TSB will withdraw, to make the landscape shift almost by the hour.

Giles Ruck: There has been an increase in the number of organisations that have had to diversify their cocktail of funding. I put that in our paper. Projects that expected to receive funding from Moffat Charitable Trust, for example, and which have not come to us before are looking for funding. My understanding of the matter, which is basic, is that their assets were linked to RBS shares, so they suffered significantly as a result. Organisations were almost pledged, and some pledges could not be fulfilled, so they have knocked on our door and, I am sure, on other doors.

Alasdair Allan is right: there has been an impact. Historically, the Scottish Community Foundation has tended to fund smaller organisations, and perhaps it will take a little bit longer for the impact to ripple through. However, I think that we will see the impact even more. If we were to sit here in a year, I would probably report a greater evidential impact in the data. From our perspective, the impact is a little bit more qualitative and anecdotal at the moment.

Projects that are coming to us that expected funding from, say, Moffat Charitable Trust provide a good example. I think that Lloyds TSB Foundation for Scotland was still making grants up to December, so it is still fulfilling intended funding pledges. I am sure that we will see an impact. As my colleague Gavin Davey said, as soon as an announcement is made, people start to panic and look to other funding sources.

I hope that that helps.

I have suggested that there is a difference. The Scottish Community Foundation has a broader funding base, and that diversity helps in that, as companies' giving drops, we are picking up in other areas. In the renewables sector, we can go back to individuals and families and ask for increases. We are fortunate in some ways. Typically, from funding of £3.5 million to be distributed, only around £300,000 comes from invested fund sources, so we are not particularly reliant on high levels of capital investment, which has, of course, felt an impact.

Alasdair Allan: You mentioned that you are not tremendously dependent on high levels of capital investment. To what extent are big corporate donations so unpredictable that you cannot plan? Do organisations try to anticipate where big corporate donations will head?

Gavin Davey: We do not have a real and direct connection with corporate organisations. All our funds come from investments, and our trustees

are able to invest flexibly. Things vary from trust to trust.

Alasdair Allan: I am sorry—I should have been clearer. What I meant to ask was whether you feel that you are mopping up to some extent where, in the past, small organisations might have been funded by the corporate sector. Do you think that you are increasingly doing the job that other people might have done in the past?

10:15

Giles Ruck: I will give a practical example. We have provided a service to Dunfermline Building Society for many years. Perhaps 50 to 60 community awards were made each year from a fund that it provided. The fund was outsourced for onward distribution, typically where the society had branches in Scotland, of course. That has ended now, so I guess that it is down to us, as is the case for other funders, to try to plug the gaps. The awards were not particularly large; from a fund of £30,000, awards might be of between £500 and £1,000, although £500 is a lot of money to a volunteer-only project, and can make a substantial difference.

The answer to the question—in a roundabout way—is that we would try to seek other sources of funding to plug the gap, because there are projects that have come to expect some grant income and which have not achieved self-sustainability. Indeed, some projects might never become income-earning third sector enterprises per se. That is a practical example of change.

You asked whether we can spend time and energy trying to work out where the gaps will be. The reality is that we are fairly lean and need to focus resource where we think there are low-hanging fruit. For example, the renewable energy sector is growing, as is the community benefit dividend from the sector's plants, sites and assets. We are becoming a preferred supplier with one or two firms, such as Scottish and Southern Energy. We provide the neutral role between the company's giving and communities.

We can guess—I am sure that we are correct—that the property sector is not worth pursuing heavily. We are talking to a couple of construction firms, which think that they might be in profit again in a year and will then look to outsource for efficiency's sake. We are having early conversations but we cannot commit much development resource to such work. We need to be out there talking to people who are prepared to support communities now. I hope that my answer was helpful.

Alasdair Allan: It certainly was. Your organisations award grants to community bodies. Do you have general observations on whether

there are areas of need that appear to fall between the Government, councils, health boards and the Big Lottery Fund? Are there areas in which trusts such as yours have a particular responsibility to act, because no one else does?

Gavin Davey: Unlike the Scottish Community Foundation, we do not go out and find people to fund; we leave them to come to us. The disadvantaged and vulnerable appear to be falling into the category that Alasdair Allan describes, if what we hear from the people whom we help is anything to go by. I am thinking particularly about homeless people and about young people who are for one reason or another reliant on drink or drugs. The issues differ between cities, towns and rural areas—I am sure that members are well aware of the unique problems in the Borders and in the Highlands and Islands.

Our footprint covers the whole of Scotland, so we come across organisations that are falling between two stools. The question is what is essential as opposed to highly desirable. It is essential that we support the homeless and disadvantaged, whereas if a museum does not come about this year or next year it will not be the end of the world. Especially in the current climate, our trustees have to ask themselves fairly serious questions. They must ask, "If we don't fund this, will a child still be on the street?" It is as simple as that.

Giles Ruck: Gavin Davey is right to identify vulnerable groups, which I appreciate is a pretty broad category. In my short additional submission I said that there is a challenge for vulnerable groups, for example when costs are passed on to them. We are encountering the issue in funding applications, although we do not have great evidence—our evidence is more qualitative than quantitative. I mentioned a scheme that is run by the Borders community transport network, which has had to charge users an extra 5p per mile because of the impact of the recession and issues to do with local government funding. We are encountering the same issues in relation to facilities. A typical example is village hall rental costs, which are being passed on to end users. The requests for such support will therefore increase. That is cause and effect. We will have more applications or, at least, applications from the same bodies for more funding for such purposes. Perhaps that is a bit self-evident, but that is happening.

Another example is less about a theme and more about single outcome agreements and a change that we know is happening. Community organisations that have in the past had grant aid from a local authority are now required to demonstrate and articulate how they meet the

objectives in outcome agreements. Smaller groups struggle to do that.

It can be a challenge for a smaller organisation to articulate its case well. One function of grant-making organisations such as Gannochy and the Scottish Community Foundation that is, perhaps, hidden is provision of support—often in person and sometimes on the phone—to help projects to articulate their case to us and to assist them in doing that better with larger funding bodies, such as local government. We will see changes in that respect. As Gavin Davey said, the landscape will change in the next year or so. Small organisations might merge or fold if they cannot deliver against, or articulate their cases, in terms of single outcome agreements, even if their users view their services as being essential. I hope that that explains the position.

Gavin Davey: One of the greatest challenges—especially for voluntary organisations that one would argue deliver local authority functions—is that although some skills that are present in those organisations are very rich and deep, other skills are lacking enormously. The skills that are lacking might include understanding governance and the role of a trustee or director, or skills for identifying and controlling costs—skills that allow organisations to conduct in-depth reviews to identify core functions and tertiary functions.

The greatest issue now is that small yet essential voluntary organisations that perform an outstanding job have difficulty in understanding the modern outcomes-based language. Traditionally, we have tended not to engage or form partnerships with organisations that we support, because we would rather treat them all the same. However, we like to help to explain the exam question, because it will help organisations to understand themselves. We do not necessarily provide the answers, but we engage a little more with organisations. Independent grant-making trusts are tending to do that more: the expectation out there is certainly that we will do that.

The Convener: We all accept that—given the challenges for, and demands on, voluntary organisations in our constituencies.

A big and impressive list of the small grants that are given has been provided, but I do not know whether that shows us the full picture, because it does not tell me how many volunteers those grants sustain. I—and, I am sure, colleagues—recognise the importance of a small grant to a small organisation that allows it to get on and do the job that it was established to do, such as sport promotion and working with children. I think that you might undersell yourselves. It would be interesting to know not only the various pots of money and how grants are distributed, but the number of volunteers in organisations that that

sustains and the added value from the money that you provide, which might allow organisations to do more fundraising. I would like to have that picture.

Will the time lag—the impending difficulty a year down the line, say—ensure that there is better co-ordination and co-operation among the bodies that distribute grants? Is there a future for all the grant distributors? Can better results be brought about by co-ordination and co-operation? Do the same people get grants? In my community, it is predominantly the people who can fill out forms, have access to the web and know the contacts who are able to get grants. Only a few people who cannot readily exercise that knowledge get grants. I could have somebody who gets grants from both your organisations and other people who get none. Is any co-ordination or co-operation envisaged?

Giles Ruck: There are a few questions in there. I will try to give you a few points in response.

You asked about the number of volunteers who are being sustained and the added value that the grants provide. We have identified the problem that the foundation is missing those data, whether for volunteers who are part of the management committee of a small voluntary organisation or the range of volunteers who get involved in some project—be it a community gala or a service in a community—so we are building in an indicator for the number of volunteers. We will start to capture those data and count the volunteers. They will be self-reported by the projects that we fund.

We are sure that tens of thousands of people benefit from the 800 awards that are made each year. Basically, I agree with the convener but cannot, unfortunately, provide hard data. We could certainly provide an estimate following the meeting if that would be helpful but, in the long term, we want to count the number of volunteers and have an indicator on it.

I think that you mentioned leverage. I will cite the example of a five-year programme that we ran—it is just closing, actually—called fair share. It operated in 13 neighbourhoods in six local authority areas in Scotland mainly in the west, but it included Charleston in Dundee. We do not have all the data, but what we have suggests that, as a consequence of £6 million being distributed across those neighbourhoods, £2.4 million of funding was leveraged.

In addition to that funding leverage, there was a community stake in, and community ownership of, the pot. For example, in Charleston in Dundee, it was something like £500,000. The knowledge that there was a locally owned ring-fenced pot of funding galvanised interest. It also brought more than the usual suspects to the table. You are right that we often see the same people wearing

different hats. They are usually the individuals who are more capable of articulating a case and putting together a good funding bid. However, the fair share initiative brought a greater number of people to the table, partly because people knew that they had a stake. They had a funding pot to distribute over five years; it was strategic for them. The funding was theirs—it was not a case of having to pitch for it to an independent funder—and they knew that they could make decisions on it. That initiative brought in some new faces and new volunteers and helped on funding leverage.

Finally, you mentioned the time lag and asked whether grant distribution could be more joined up. In the past couple of years, there has been some initiative to increase communication between independent funders and with local authorities. One example of that is the funders forum, which the Big Lottery Fund hosts. Not only many independent grant makers, but the Big Lottery Fund and local government representatives communicate there.

There have been some wins. One example is better evaluation. Again, that is about voluntary organisations articulating their cases better. Joint reporting and monitoring have also been considered. There is an idea about joint application processes, which seems to be more challenging. At the other end, it is noted that many organisations are swamped by the amount of reports that they have to write. They would prefer to write a single report each year with which all the funders would be happy, so there could be some wins in that area with regard to efficiency.

A consequence of bringing funders together, even if it is not a formal part of the work programme, is that outwith a formal forum they can build relationships and have conversations about where needs are. We work with other funders in specific areas—we have, for example, brought in the Rank Foundation as a funder to support a youth initiative that we have started, which means that that initiative may have a five-year window of funding rather than just a one or two-year window. Greater communication is important and is in all our interests, although time is always a challenge.

10:30

Gavin Davey: I will take the questions on what the money does and the aspects of achieving better co-ordination. The money can serve a number of purposes, depending on what the charity is trying to achieve; in terms of match funding, it is extremely valuable.

As we are trying to assess our own risks in the current situation, we look for organisations to have some form of self-funding. By that, we do not

necessarily mean that they receive other grants, but that they have shown the motivation and determination to hold bring-and-buy sales or church fêtes or to pack bags in Tesco. That demonstrates that an organisation is prepared to raise some funding itself, which says an awful lot about the motivation of the people involved. That is why, in considering our commitment to an organisation, we look for—certainly at present, given the restrictions that we brought in last July—an element of self-funding. It does not have to be huge, but it indicates to us that our support will help to achieve the purpose of the project.

We know that small amounts of money can have a disproportionate effect. We have to operate quite carefully just now, which is why we will contribute less this year than our four-year average. We are not sure what is around the corner, or what effect local authority cuts will have, although they seem to have taken effect already in some areas.

We are doing some careful housekeeping, because we know that even £500, £2,000 or £10,000 can be a lifeline to some organisations. They report to us that they simply could not exist without our support—I am sure that other independent trusts hear the same thing. We assess and visit the organisations, and analyse what they are doing. We believe that without the support of an independent trust, the vast majority of them would not achieve their purpose and would have to close down.

There is a need for better co-ordination. A recent Evaluation Support Scotland seminar identified that charities expect trusts to be more open and to set out what they expect from or look for in applications. Since we carried out our review, we make clear what we will fund—which we did not do in the past—and what our exclusions are, with regard to what we will not consider or cannot consider legally. The main point is that we communicate that and are honest about it, which was not necessarily the case in the past—we hold our hands up in that regard.

Some other aspects of co-ordination are important in the current climate. I am one of three members of the Scottish grant making trusts group who are rewriting its overall strategy to enable it to operate more effectively. It is a group of independent grant makers who contribute more than £100,000 to the Scottish charity pot. The members have traditionally just sat down and discussed the issues—I am happy to be shot down later for that comment—but they wish to meet the expectation out there, to engage more effectively with the charities that we support and to understand what we are here to do. We are considering forming a number of themed clusters, in which we try to understand the landscape better and understand how we can operate more

effectively to support organisations that receive funding.

I find it quite frustrating that although there is an enormous amount of training for charities, for charity trustees and for management staff within charities in England, and a raft of courses in England on good governance, on the expectations of the regulator and on how to write an application, such training is less available in Scotland, which contributes to the confusion, and to the inability of small charities to articulate their purpose and write a convincing case to those from whom they are seeking funds. There are some seminars that help to inform, but there is a gap, and therefore an opportunity that could be taken on by the regulator. Unfortunately, that opportunity is currently taken on by law companies that are involved in charity law and so on. Am I comfortable with that? Not 100 per cent. There is a clear gap, which, if it were filled, would help us and those who receive funds.

The Convener: Do you have a view on that, Mr Ruck?

Giles Ruck: Going back to the issue of co-ordination, it occurred to me that another important area of co-ordination in relation to funding—I think that I mentioned it briefly—is local authorities. There can be a time lag, such as with Lloyds TSB and its being unable to fund in the way that it has done, but there are also constraints on public sector funding. How can independent funders react, respond and co-ordinate? To give an example, we have begun a programme of communication and discussion with all local authorities in Scotland, which will take some time. We are managing more on an area basis than a thematic basis. I mentioned community benefit funds resulting from renewable energy schemes. We are trying to add value to the distribution of those funds and to establish a community stake in them, as it were.

We are also assisting local authorities with the reorganisation of dormant charitable assets—what the Office of the Scottish Charity Regulator calls apparently inactive trusts. The committee might be aware that local authorities include such assets as a back-end issue at the end of their audited accounts. By reactivating dormant trust assets and community benefit funds and improving co-ordination with local authority external funding officers, we believe that we can add more value. That is another aspect of co-ordination between funders—not to mix the statutory with the independent.

Jim Tolson (Dunfermline West) (LD): Good morning, gentlemen. We have touched on a number of points this morning, I would like to expand on the issue of the voluntary sector, which Mr Davey in particular has touched on a couple of

times. As the convener said, many of us have been contacted by groups in our areas that feel they will have big funding problems because of the predicament of the Lloyds TSB Foundation. I am interested to find out what work you have done or can do with smaller trusts and foundations, for example the Coalfields Regeneration Trust, which is a small group that works in quite limited geographical areas of Scotland. By working with such groups, you might be able to fill some of the gap that has been left by the Lloyds TSB Foundation. What advice can you give to small groups of a similar nature, which often have few employees and many volunteers, and which work within a budget of more than the £25,000 that we touched on earlier but less than, say, £100,000?

Gavin Davey: We need to be clear that the gap that has been left by Lloyds TSB's withdrawal, Laidlaw's demise and Moffat's dividend reduction probably comes to about £12 million. I have a number of points to make in answer to your question. It is difficult to see how the remaining independent grant-making trusts can backfill that sizeable gap, even collectively. I have neither an answer to how we can do that nor a magic wand.

However, one of the greatest challenges that we observe charities facing as they go through and, we hope, emerge from the recession is their ability to review their core functions. I alluded to that earlier. What do they really exist to do? What do they do because it is nice to do or because it is within some people's comfort zone? Those are tricky questions because, when charities operate with volunteers, it is sometimes necessary to skew things towards their talents rather than the charity's original purpose. That is a difficult one to balance. However, about 400 sets of accounts come across my desk in a year, and I see that a number of voluntary organisations have gone through such a review. I would say that they are fit for the future. One sign of that is that they have gone through an income crisis in the past two or three years but they have managed to bring their costs under control. Their operations director was listening to his or her finance director, they got the surgical kit out and they were prepared to use it.

On the other hand, a significant number of charities say, "When we emerge from the recession, it'll be just like it was before." I have to say that I do not believe that. I am not convinced that it will be at all like it was before, in some respects. Some charities' balance sheets are still diverging. To me, that situation should create amber flashing lights, if not red ones. However, it offers an opportunity. Again, it goes back to the skills that exist within the charity's board. As Giles Ruck said, coming together to continue to deliver charities' outcomes and purposes is paramount. There is an opportunity for a number of charities to merge, which will enable them to reduce

infrastructure costs, to bring costs under control, and to have a slightly more flexible and imaginative view of where their income is liable to come from.

I am also the chairman of a charitable trust, so I see things from both sides of the fence, although for that reason I do not necessarily see them that clearly. Charities do not find it comfortable considering a merger, because there is a huge amount of pride, and for good reason, within charities. However, such matters are being discussed by the Scottish grant making trusts group. The danger is that, when two charities decide to merge, it might be too late for them to come together and succeed. That is the extremely tricky situation that a number of charities face. We do not go in and suggest things, because that would be inappropriate. Some local authorities offer some help and advice, but we cannot impose things on what are voluntary organisations.

10:45

Giles Ruck: On the point about merging, about a year and a half ago we ran a grant programme that included the repositioning of organisations as part of the theme. Our trustees had identified a need for us to provide some strategic grants, not just grants to support local services. Part of that involved considering whether there could be efficiencies between charities. I should say that my trustees considered such issues pre-recession, so that was quite prescient of them—or at least fortunate—in some respects. We put £400,000 into that grant pot to support organisations that wished to reorganise or reposition in some way.

To give a great practical example, we helped a series of child care charity services in mid-Argyll that had seen the need both to be more transparent about the salaries that they paid and to co-ordinate better so as to reduce their overheads. They had already thought the issue through a bit, but they needed some core support. After two years of grant from us, they were able to achieve that outcome. As Gavin Davey explained, such support can reduce the need for multiple boards of trustees or directors of services. That is an obvious move really, which I guess is not unlike what the business community would do. However, we were oversubscribed for that money, as we probably received about £3 million to £4 million of bids for a £400,000 pot. That was before the recession and the ripples that we are seeing now.

Independent funding with some flexibility to support such reorganisation could offer some value to the sector. I am not aware of any other current programmes like that. We chose to do that from unrestricted resources because we thought that providing such support would be the best use of some funding that we actually control—a lot of

our funding is directed by our donors. From time to time, we suggest to our donors that occasionally what is needed is not simply funding services and getting a great photo of kids in a play park or whatever. Occasionally, the way in which they fund, rather than what they fund, can also be important. Newer philanthropists are aware of issues such as funding leverage, enterprise and the opportunity to run mergers and acquisitions, as it were.

Jim Tolson: You have made some important points about mergers and the effects of the recession on what might be called the small-to-medium end of the voluntary sector. Do you have any information on whether groups that your organisations have supported have fallen away? Have some groups not managed to maintain their services and direction, either because of failed mergers or because they have not had the knowledge or financial wherewithal and back-up to take forward their services?

Gavin Davey: A number of groups have not taken up the pledge or forward commitment that was made a number of years ago simply because they have not managed to put a funding package together.

Giles Ruck: Anecdotes aside, data and evidence on that are available to us only through completion reports. For example, when a small grant is made, we might follow it up six months or one year later. From that evidence, perhaps between 5 and 10 per cent of the organisations are really struggling to keep going. They might have spent the grant in the way that was intended, or they might have had to shift the money to do something else in order to continue. From a very small number of the organisations—probably less than 2 per cent—we are unable to get any response, which perhaps suggests that they have gone under. Our concern is about the effective use of funds and ensuring that funding is not used fraudulently, but when we follow up on those cases and eventually track down a trustee—we are talking about projects that might have no paid staff—we often find that the organisation has folded. The funds may have been used, but they have run out.

Mary Mulligan (Linlithgow) (Lab): Mr Davey, you mentioned the Scottish grant making trusts group. Can you say a little bit more about what that is and how it operates?

Gavin Davey: I am the new boy on the Scottish grant making trusts group—that is probably why I have been asked to try to sort out its strategy. It has existed for about 11 years and is a coming together of independent organisations that contribute to the Scottish charity pot. The group meets twice a year. The group recognises that it could do more by understanding the environment

in which we operate and identifying where the group can better engage with those who receive funds. The group members are all from independent organisations, although that might give the wrong impression that they operate independently of those that they fund.

I presented to the Institute of Fundraising recently, and I thought that I was going to get a major chest poking akin to that given to the previous Prime Minister by the Women's Institute, but the situation was quite the opposite. Rather than a question-and-answer session, we discussed and debated expectations, and how we can move closer to those bodies that we fund, so that both sides understand better. Over the years, independent trusts have not been as transparent as they could have been, but we have tried to put that right in the past year.

The group is in the process of moving forward, and that will continue in the next year. Rather than being a discussion group with limited effective outcomes, it wants to move forward considerably to achieve greater tangible outcomes by making the charity sector more communicative within itself, helping organisations to help one another and using funds better to achieve each organisation's purpose.

Mary Mulligan: How does the membership of the Scottish grant making trusts group compare with the number of grant-giving foundations in Scotland? Are most of the people involved or is it a small percentage?

Gavin Davey: The group started off with a small membership of about nine, but it is now up to 34 at the last count. Organisations within Scotland contribute, but some are from outside. The Rank Foundation does not have an administrative base in Scotland, but it makes a significant contribution to Scotland.

Mary Mulligan: Do you have an idea of how many there are in total, so that I can make a comparison?

Gavin Davey: Do you mean how many members there are of the Scottish grant making trusts group?

Mary Mulligan: How many people there are in foundations giving grants. Is it half the grant-giving people or is it just a small percentage?

Gavin Davey: To be honest, I do not know the total number. From what Giles Ruck said, I suspect that a lot of them give relatively small grants—some of them might have stopped doing so. We have had the same sort of experience with small trusts whose trust deeds have a narrow purpose and aim, which does not lend itself easily or at all to the grants that can be given. They have asked for advice on how they can open up their

giving and contribute to the pot, because they might not be doing so at the moment. Some of them might be contributing £200,000 per year or so, which means a lot of lifelines when it comes down to it.

Mary Mulligan: You raised an important point about communication and enabling people to understand your role. Small groups in our constituencies that are looking for funding to make them successful will go through a list of funders, but they might not look at who is most likely to be able to support them or who has priorities that they might be able to tap into. How do we develop that better understanding of the role of trusts as funders?

Giles Ruck: Do you mean how do we get better collective understanding of the different funders?

Mary Mulligan: Yes.

Giles Ruck: From the perspective of an individual grant-making foundation, being up front on the website makes a huge difference. We find that to be helpful, for example in relation to parameters that help us to manage volume. We have an income ceiling of £250,000 for community charities on our open programme, when we are not trying to source projects. That is still pretty big in charitable terms. We grant up to £5,000 on an open basis, but the size of such projects is determined by the fact that we do not fund anything less than a quarter of a project. I imagine that those data could be captured in some kind of programme with the Scottish grant making trusts group or the funders forum, although I am not aware of that happening.

I am not envisaging, say, a single portal, but a single table or list setting out such information could be put together. At the moment, to access data on grant-making trusts, you can subscribe to a service provided by CaritasData or a couple of other companies, or you can access various books on-line, but that work is fairly time-intensive, as some local residents might have indicated.

I am simply thinking out loud, but it might be helpful if all that information on larger funders were put into one place. As I say, I am not aware of the funders forum initiating any such work programme, although it might be something to pitch its way. Our grants director is a member of the forum, and I know that active communication between the organisations can help, but I agree that there should be more transparency through, for example, publications.

Mary Mulligan: Is the funders forum different from the Scottish grant making trusts group?

Giles Ruck: Yes, but I do not know the whole history. Last year, the Scottish Community Foundation received an invitation to join the

Scottish grant making trusts group, which we will follow up on. When, two or three years ago, the Scotland funders forum was proposed and set up, the Big Lottery Fund was asked to host it administratively, and has done so. Such an approach might have been taken to bring in different types of independent funding as well as to facilitate discussions about statutory funding. I am not sure, but I guess that that element has not really been part of the work of the Scottish grant making trusts group.

Gavin Davey: The information does exist. Admittedly, the directory of trusts and other groups that provide funds is rather thick, but it is available on-line.

Charities in Perth and Kinross are probably quite fortunate, because the element in the local authority that deals directly with grants is very helpful not only in pointing people in the right direction, depending on what they are trying to achieve, but in engaging with and helping charities. It also regularly issues information to charities on the very questions that you have raised: who funds certain things and the focus of particular trusts or funders.

We feel that a number of small one-person trusts are not as active as they could be or have simply not moved on, and will not move on. After all, the person running the trust is probably quite old and the founder might be their great aunt or great uncle. That makes the situation a bit more difficult to tap into. However, those trusts would love to meet people they could award grants to, and there are people out there who are trying to get their hands on the money. The frustration lies in the inability—quite literally, you might say—to get the two halves of the £20 note to match up.

Giles Ruck: The issue of smaller charitable trusts is important, and one would have thought that OSCR would bring greater influence to bear on the situation. Those trusts can certainly influence distribution. A classic example is the family that establishes a £1 million charitable trust from which it distributes 5 per cent per annum. That work can have an impact and value, but such trusts can lie dormant or there might be inefficiencies in, for example, the legal costs of administering trusts of that size. Indeed, part of a round-table discussion that the Scottish Community Foundation had with what I think was the Scottish law forum—I am sorry; I cannot remember the organisation's name—focused on efficiency in the sector. There is certainly a lack of transparency, and it is difficult for people to bid for funds.

That element of the landscape could be more transparent, more efficient and maximised better. Settlers of such trusts—usually family members—might be surprised by how much more impact they

could have through coming together. The Scottish Community Foundation can provide a service, but we cannot bring any pressure to bear to make the sector change.

11:00

Mary Mulligan: You were invited today to discuss the recession's impact on your role, because if we do not understand the complexities of what you do, it is difficult to decide whether the recession has had an impact on it, so your evidence has been helpful.

Bob Doris (Glasgow) (SNP): Do the grants that the witnesses' organisations give provide any core funding, or do they tend to be for projects? Do applicants already have core funding and, because there is an outcome that you are looking to achieve, you give a small award to allow a project worker to be hired for six months or a year? What is the balance between core funding and project-led funding?

Giles Ruck: I apologise that I do not have the data to hand to answer your question about balance, but we are completely open to an application being entirely for core funding. We do not have issues with that; it does not have to be for a new project—organisations do not have to package up applications in that way.

The issue for us is the volume of applications that come in. I mentioned the open grants programme, which is relatively modest in that it is for grants of up to £5,000. Applications can be for any purpose that is appropriate, eligible and has impact. However, we do not want to be a drop in the ocean—for example, we do not respond to appeals for the village hall roof, which might cost hundreds of thousands. With that programme, we say that we want to provide a quarter of a project's costs; that is, the project's costs must be £20,000. Organisations are pretty smart about positioning a worker's costs in a particular way so that we can fund a quarter of those, and that is fine.

On the recession's impact on demand, I think that our late submission makes a point about an increasing cocktail of project funding. We are seeing increases in applications for core funding and we suspect that that is because of the ripple effect coming through and/or constraints on public sector funding. There has been a slight shift in one year, from 7 to 10 per cent, of applications in which applicants say that they really need core funding. I think that that will increase—or get worse, however you want to look at it.

Gavin Davey: We do not have any hard-and-fast rule on whether we fund capital projects, running costs, a post or anything else. The simple question that we ask is: what difference will the project make to people? An application may be for

a combination of things in a project, such as help with modernising a building and with employing people. We will consider what the purpose of the project is and what overall difference it will make. I suppose that that is an outcome-based approach.

In other cases, we may provide pump-priming money that makes life easier for an organisation or a project to go out and match that funding with funds from elsewhere. We did exactly that for a large museum project not far away from here. However, we have not made a large grant for a capital project for nearly two years. By that, I mean something in the order of £500,000 to £1 million for a significant building, or part of a building, somewhere in Scotland. That reflects the slightly prudent approach that we are now taking because we are not fully aware of what is round the next corner. That approach has served us well in the past year, when the situation has been rather difficult.

Several organisations put off their applications for major building works, but those are starting to appear again. During the recession, people said, "We should get good prices, because people are keen to compete for projects." However, our observation from maintaining a housing estate, farms and other property is that tender costs are rising. As companies emerge perhaps more prepared for the future, their costs are rising, too. The costs of capital projects—some were just delayed—that have been estimated in the past two years will now be far higher. At least, that is what the evidence suggests.

We and several other independent trusts will be in the difficult position of considering whether to fund taking children off the streets or a major national building.

Bob Doris: I certainly agree with taking children off the streets, but the trust must of course set its priorities and provide funding accordingly.

I asked about the core funding of projects. You talked about what is round the next corner and the impact of the recession. We know that local authorities not just in Scotland but throughout the UK are hugely tightening their belts. Many organisations that are similar to the one that Mr Tolson talked about—those that have one or two full-time workers who co-ordinate a series of activities, work in partnership with agencies and make many good things happen—often receive public funding from local authorities that might fall by the wayside because of the tightening of the fiscal belt throughout the UK.

The increase from 7 to 10 per cent that Mr Ruck mentioned is interesting. Such projects might have asked in the past for £20,000 for a youth worker, of which he might have funded a quarter, whereas they are now saying that they need core funding. I

welcome the fact that you have both said that you have no inherent opposition to meeting core costs and that you do that, but will you consider doing that more strategically? Many projects that you fund might aim not to expand but just to stay alive in the current climate. We all have a list of organisations in our constituencies to which we will give your names—probably as soon as the meeting is over—to apply to for funding. Will your organisations move towards a strategic approach of keeping organisations in existence rather than providing added value?

Giles Ruck: From an internal perspective, for the Scottish Community Foundation to be strategic in the way that you describe is all about how we communicate with our range of donors—our clients. We are strategic in that way. When we have the opportunity to educate them—that is "educate" with a small "e", as some individuals are not necessarily open to the idea of our educating them—such education and engagement can influence how funding is provided rather than the themes that donors fund, as I have said.

A great example comes from the family who are behind William Grant & Sons Distillers, who provide support of about £250,000 a year in three areas of Scotland. In the past three years, we have built up a portfolio—a funding package—that that family support. We do not seek always to find new and innovative projects. Lots of charities in that portfolio simply carry on doing very good work.

If anything, we can assist in better communication and co-ordination between voluntary organisations and statutory services, because that does not always take place. Where a gap exists, we might consider cranking something up and creating a new initiative. We are starting to consider that now in the community of Dufftown, which has needs and has no youth initiatives—the nearest is 15 or 20 miles away. Internally, the foundation has the opportunity to communicate well with our donors about needs and whether they are on-going.

I should clarify one matter. I should have read my notes earlier, which say that the increase from 7 to 10 per cent was in requests for help with paying rent. That is a tiny bit of evidence on one subheading under core costs. I expect that we will see more issues of that type, be they about rent or salaries, in the next year.

Gavin Davey: We are certainly keen to see charities gain funds from a number of sources because that reduces the risk of one of the sources drying up. It also shows that they are employing a bit of imagination and a wee bit of determination if they go out and look for other funding sources. It might be that, in doing that, they can expand a wee bit.

The restrictions that we brought in last July, which I mentioned earlier, were introduced to enable us to manage our own risks more than anything else. In the present climate, we are reluctant to support year-on-year increases purely from the point of view of managing our own risks, but also because there is evidence that some organisations have continued their pre-recession expansion without being fully aware of how things are moving around them.

John Wilson (Central Scotland) (SNP): Good morning, gentlemen. Would both gentlemen care to elaborate on how their grant processes operate in practice? For example, how would an organisation of whatever size—I note that the SCF has different grant-making sources—make an application, bearing in mind the grants of up to £5,000 that the foundation operates?

Giles Ruck: I am happy to articulate that as best I can. Essentially, the open community grants programme receives most of our applications. It accepts bids at any time. We receive some 1,500 applications a year, of which we can fund about 50 per cent. People can phone us and ask for a form, but it is also easy for them to download it from our website. All the parameters are given, and there is a description of the process that we carry out behind the scenes. We give that information to explain how we assess applications and to try to make the process transparent. We do not have an online application process, but people can download the forms. We find that many community organisations submit handwritten applications. People can type in the information, but in any event we need the form to be sent in with a couple of associated documents. That process applies Scotland-wide.

Behind the scenes, as well as assessing the project's merit, we have to work out whether we have funding available to match it. In other words, we have an additional allocation process. One of our more complex small funds is for young people who are affected by cancer in their family and have a history of sport, preferably rugby, in Kirkcudbrightshire. You can imagine how complex it is to assess applications to that fund. Sometimes we have to go and source them. Other funds are much more straightforward, including those that apply Scotland-wide or to the Highlands or Edinburgh. After the allocation or match-making process, we take the application forward, if we can, and we have a grants committee that reviews applications. As I said, our hit rate is about 50 per cent. That is predominantly based on funding, so if we had more funding, the rate should increase.

We also have specific programmes for local areas. Some of those have forms that can be downloaded from our website. If people look under "Apply for a grant", there are open, Scotland-wide

programmes and there are local programmes, which are then subcategorised. A great example is a fund that we run in the Blairgowrie area of Perthshire, based around the Drumderg wind farm. That fund already has a huge number of beneficiaries including, for example, Strathardle, which bought out its village post office and shop using tens of thousands, I think, from that fund. That project started with small grants, so it was a combination of small and larger grants. Those local programmes are in place.

From time to time, we ask for expressions of interest in a programme, rather than having a form to be completed up front. We need to be careful about match making in relation to such programmes. A good example would be the fund from William Grant & Sons Distillers that I mentioned.

We make it transparent where the funds come from. On our website, we have an A to Z of funds. It requires a bit more searching, but a diligent project could look through that A to Z and establish which particular fund operates in their area. For example, a fund from William Grant & Sons Distillers operates in Dufftown, Bellshill and the surrounding area—that is, Strathclyde business park and the surrounding area—and Girvan.

A project could do a bit of fact finding in that way but, to be frank, it is incumbent on us to go out to those communities and talk to people. It is not just about waiting for things to happen. We have to be active.

I hope that that helps. We believe that the process is open but if it needs to be even more open we are delighted to receive feedback. We think that everything is available on our website.

11:15

Gavin Davey: Our process for applying for grants is extremely straightforward, the turnaround time is quick and it is all displayed on our website. The emphasis is on an applicant identifying how their project relates to our four themes, which are in our submission. They divide into sub-themes—some of the themes have eight sub-themes and others have four—which are also on the website. They are described in outcome terms, so it is relatively straightforward to identify the match between a particular project and what we will consider.

We do not have drop-down menus or ask people to tick yes/no boxes online. We ask applicants to provide electronically a straightforward organisational structure, the purpose of the application and the contact details, and then it is the necessary evil of getting down to a bit of essay writing. We thought long and hard about whether

we should continue doing that. The reason that we do it is that we have a minimal number of staff to assess projects, so it is up to the applying organisation to put across on paper a convincing argument to bring its project alive and convince us that it is worth funding.

I mentioned that our turnaround time is rapid. Probably the shortest turnaround would be if a project submitted an application on the deadline day, which is only about 10 days before a trustees' meeting. The applicants would find out in the week after the meeting whether they had been successful. We need to be pretty quick. Because we consider 400 or 500 applications a year with the absolute minimum number of staff, we need to feed them through fairly quickly.

John Wilson: Some community organisations deserve and would like funding but are not able to put on paper what they want to deliver or do not understand the system well enough to do that. How do you deal with such organisations? I am thinking of small community organisations that do good work in an area, have a good idea, know what they want to do but do not have the necessary skills.

Over the years, I have noticed the almost professional application makers—I do not know whether you have come across them—who, because they have built up skills, knowledge and experience, are employed or contracted by community groups to draw up and submit grant applications on their behalf. Indeed, for a number of years, local authorities had people who were skilled in making grant applications. In the Scottish Community Foundation submission, one local authority leapt out at me as having received a grant from the foundation. Obviously, someone within that local authority made the application and received the funding, but how do you deal with the small, unprofessional application?

Giles Ruck: I will make a few points. An award that is made to a local authority is typically for a project in the community for which the local authority holds funds. We make such awards from time to time. A local authority might have done a good job of articulating the case for a community venture, but local authorities tend to provide the bank account for the funding of such projects.

You asked about professional fundraisers. Data from OSCR and elsewhere suggest that about 95 per cent of the incoming resources are scooped up by 5 per cent of charities. We know of that imbalance. As a community foundation, one of our objectives is to increase the amount of private sector funding that reaches community charities and groups. We do not want just to displace that 95:5 ratio. Although we could try to do that, we want to increase the pot and broaden the market, and not just to increase market share. That is why

we work hard to keep talking with potential funders and to increase funding. The recession has not had as much of an impact on lots of individuals, and they could give more.

I will return to the specific point. We are perhaps fortunate. We have nine staff who work on our community grants—that number is required not only because of the volume of work but because we need to be out in the community for some initiatives that we run, which are not paper based. Scotland is a large country, so if we cannot be somewhere in person, a lot of the contact is over the phone. We receive many phone calls from organisations such as those that you mentioned—from unprofessional fundraisers, if you will, who are often volunteers who are doing the best they can on projects and who have day jobs. We still need such people to complete an application form—we think that that is relatively simple—and they need to present their main reason for requesting a grant and why their organisation exists. However, we give such people much support over the phone.

The data show that, in the past year, 70 per cent of funded projects from our portfolio were not registered charities with OSCR but voluntary community organisations that are not of the scale that requires them to step up to register, although some such organisations register and some ask for advice about that. Typically, we point them to a council for voluntary service for that next step of support. Over the phone, we try to provide as much guidance as we can. I hope that that helps a little.

Gavin Davey: As the chairman of a charity, I am lucky, because I have a funding consultant who is keen to do voluntary work. I welcomed her with open arms, but not everyone has such an opportunity.

In the past, we have not made clear what we will and will not consider, but we have turned that around completely. Not only do we make what we will consider clear, but we provide guidelines for applicants. Some of those guidelines—they comprise 10 straightforward bullet points—ensure that we and the recipient meet the regulator's requirements. Other points are intended to ensure in straightforward terms that we and the charity understand what the charity intends to do, what difference it will make, how it intends to spend the money and so on. We encourage people to use those 10 bullet points. We say that they could be paragraph headings—that makes life relatively straightforward—and that charities could answer the questions in the bullet points in their submissions. Unfortunately, some organisations do not heed our advice, so we still have to operate as detectives to find out what they really want.

Our most important activity—in which we are no different from my colleague Giles Ruck's organisation—is not only to provide help over the phone, which we did not do in the past, but to meet organisations willingly. That is evidence that we are committed to diversity and inclusion.

We can often tell from reading an initial submission that it is from, say, a dyslexia organisation or another charity that is doing a fantastic job in involving the vulnerable and disadvantaged in its organisation. We owe it to ourselves and to those whom we serve to engage with and help such organisations. Indeed, I will be off to do exactly that when I leave the Parliament today.

I hope that what might in the past have been a bit of a mystery and a bit foggy for people out there is becoming much clearer. We do not see ourselves as being unique in that respect. I have observed a noticeable opening up in the past couple of years and it is now more common for such help to be offered, especially to the people to whom you allude, who have difficulty. Not everyone is able to set things out clearly. We will help to explain the exam question to them and tease the information out of them so that their life becomes that wee bit more straightforward.

John Wilson: Earlier, Mr Ruck mentioned that he had received £3 million-worth of applications for a pot of £400,000. The written submissions clearly list the grants that were awarded to organisations during the year, but not the total value of the grant applications that were made. It would be useful—for me, anyway—to understand the total value of the grant applications that were made and the value of the applications that you were able to fund, given the pots of funding that are available to you. Is the situation of having £3 million-worth of applications for £400,000 being repeated in other grant-making bodies? We face a situation in which organisations are making applications across the board. I note that there is some crossover and that some organisations have received funding from both the Scottish Community Foundation and the Lloyds TSB Foundation, but the submissions do not give a picture of the total value of grant applications that were made to the two organisations that are before us today.

Gavin Davey: Since we conducted our strategy review and became more open about what we can and cannot fund, the number of applications that we receive has reduced. That is purely a result of our being open and honest where we had not been so in the past. Our new approach avoids organisations that, frankly, would never have been funded putting pen to paper and wasting their time coming to us. We try to help them, as far as that is concerned.

The number of applications that are successful and are funded by our trustees has also reduced significantly. There was a high in 2007-08 purely because of the funds that were available, but the number reduced last year. Some 38 per cent of people who send something through the post get a cheque back within a few weeks. The percentage has reduced noticeably because of the funds that are available and the prudent housekeeping to which I alluded earlier.

The number of applications that are made is going down because of a combination of our being more efficient and honest and charities reeling things in and realising that, because funds are not available out there, they need to review themselves and put their house in order before making an application.

Giles Ruck: I mentioned a success rate of about 50 per cent. The last time I looked at the data for community grants, they showed that 55 per cent of approximately 1,500 incoming applications for awards of up to £5,000 were successful. The figures that I will give are assumptions, because we do not do the calculation for all the unsuccessful applications.

An average application is for £3,000. The value of the applications that we receive—including the unsuccessful 45 per cent—is roughly double the value of the grants from that particular pot. From £3.5 million of awards made in any one year, the community grant side might run to in excess of £2 million. If you like, double that volume comes in—there is around £4 million of requests. Bear in mind, however, that that is deliberately barred. I would have to extrapolate by guessing to go beyond that. I would say that we receive in excess of £4 million of bids for a pot that might be £2 million or so.

The remainder relates to more specific programmes, on which we might have done some analysis. My recollection of the one on repositioning organisations that I mentioned is that it was about eight times oversubscribed. We did quite a bit of promotion for that programme. It was one of the first times that the Community Foundation had put out there grants in excess of £5,000 to be bid for on an open basis rather than a specific community basis. It got a staggering response. We included as themes enterprising organisations and repositioning. We are helping charities to merge. The demand was significantly in excess of £3 million for a pot of £400,000. In theory, we could analyse and provide further information on some of the data if that were of interest, but we do not do that analysis routinely.

11:30

Gavin Davey: I will put a figure to my earlier comments, now that I have had the time to do the arithmetic. We receive applications for between £10 million and £12 million a year. Over the past four years, on average, we have been able to award around £4.2 million. Those are approximate figures, and a £500,000 or £1 million project would skew them considerably.

David McLetchie (Edinburgh Pentlands) (Con): Good morning, gentlemen. I am interested in the issue of organisations getting funding support from different sectors and the balance between the support provided by bodies such as yours and that which is provided by public sector bodies such as the Scottish Government and the local authorities. Mr Davey, do your trustees feel, or have they felt in the past, that the very existence of the Gannochy Trust, with its preferential focus on Perth and Kinross—that is understandable given the origins of the trust—has detracted from the availability to organisations in the area of funding support from other sources, such as the Scottish Government and the local authorities? Is there a perception that because the Gannochy Trust covers Perth and has loads of money organisations in Perth can get money from the trust? Do other sources not give those organisations money because there is an alternative, private charitable funder? Have your trustees encountered that attitude, and is that perception true or completely without foundation?

Gavin Davey: Perhaps I can clarify a couple of perceptions. Prior to 1967, the trust could make contributions only to the city of Perth and the parishes on the boundaries of the city. There is still a perception that that is the case, and people say, “You give only within Perth and Kinross,” but we do not—the footprint is right across Scotland. In the past, we may have judged projects in Perth and Kinross differently from projects in the rest of Scotland, but now there is no perceived difference. We use the same application form asking for the same details under the same bullet points, and the same assessment process is gone through wherever in Scotland a project originates. The simple reason for that is that we could not do it in any other way if we are to be true to ourselves.

There is another perception to clarify. There is an attitude out there, certainly in the area around Perth, of, “We’ll just apply to the Gannochy. They’ve got loads of money; they’ll sort it out.” The fact that we get applications for £12 million but are funding only about £4 million highlights the fact that that perception is not completely accurate. At the moment, even if we put another zero on the amount of funds that we have available, we probably still would not be able to fund all the

applications that would be likely to come to us. That is just the fact of the numbers.

The issue of the public sector versus the independent sector is rather tricky—I think it will get slightly trickier. Our trustees’ view is that we would add value to a project that is supported by the public sector, but we would not substitute for public funding. The tricky issue is that if public funding reduces in the future, are we adding value to what is left? Let us say that 70 per cent of a project’s funding is public funding right now and that that goes down to 50 per cent. If we are asked to come in and fund something within that reduction of 20 per cent, would we be substituting for public funding tomorrow when the public funds do not exist?

We have carefully reviewed our approach, which is that although we would not wish to substitute for public funding, that is likely to happen in the future. I suspect that the proportion of public funding to private funding is likely to change. A number of projects have already highlighted that public funding has been withdrawn, which is why they are knocking on our door and the doors of other independent funders.

That is us trying to get our heads around the landscape of the future.

David McLetchie: I am interested in that. The City of Edinburgh Council is discussing its budget this week and one of the items for consideration is proposals that might result in substantial cuts in the grants that the council awards to various voluntary bodies that operate in the city. I am sure that Edinburgh is not unique in that respect. The Scottish Government will, no doubt, be reviewing its grant making to other bodies, too.

Is there some forum or context for discussion between you, the Government and local authorities about where the boundaries should lie and the issue of substitution for public funding? If, by dint of the public financial stringencies that we are all having to deal with at the moment, there is a reduction in support, is there some kind of understanding that, when times are better, a certain level of support from the public sector will be restored? Alternatively, is what we are seeing now a harbinger of a permanent shift in the ratios, which means that we will not be going back to where we were before? That is a big question, and I wonder whether there is a forum in which all that is being discussed. Mr Ruck, too, might wish to comment on those bigger-picture issues of the sources of funding, who should take on what and what is the appropriate contribution for each sector to make.

Gavin Davey: The Cabinet Secretary for Finance and Sustainable Growth has already engaged with the Scottish grant making trusts

group; we had an extremely useful discussion in the middle of last year. I suspect that public and independent funders are in this together. We are all in the railway tunnel and we are not quite sure what it will look like when we come out the other end.

There might be a perception that the independent funders can come in and substitute for public funding where in the future there will be none. From where I sit, I do not think that the pot is big enough; the funds are not necessarily there. Those who are able to invest flexibly in the stock market might emerge at a different rate and in a different shape to the public bodies. We are not identical to other independent funders, but we are very similar. When our portfolio takes a hit of 28 to 30 per cent, surplus income is just not there and we are not alone in that.

Giles Ruck: We work primarily with private sector clients, so the discussion about displacement and funding alongside public funding is of interest to some of our clients.

In 2008, the Scottish Community Foundation ran what we believe was Scotland's first philanthropy debate. The Cabinet Secretary for Finance and Sustainable Growth gave the opening address and we had a panel discussion. We will run another debate on either 3 or 4 November this year and we have secured some high net worth philanthropists for the panel—the debate is predominantly about philanthropy. Part of the discussion, I believe, will be about whether there is an increasing requirement on private sector philanthropy, particularly individuals, to step up to the plate, and whether that is a permanent change in the landscape or whether the change will be temporary and they will have to hold the fort only until Government finances come back. That will be a useful debate, which is why I wanted to mention it to the committee.

I have also become aware recently that the think tank, Reform Scotland—I do not know very much about it—has in its work programme a piece of work on consideration of the third and public sectors. I do not know whether that work is about services; even if it is, it will need to cover funding. I am interested in influencing that work programme so that it considers private philanthropy as well. I believe that that work will be done during the summer, so it might provide a helpful lead into the debate that will be held later in the year.

The Scottish Community Foundation is one entity in Scotland. In England and Wales, there are about 40 other community foundations, mainly in city or metro areas, or rural areas. We come together as a network, and the Community Foundation Network produces some data; I have included it in some notes to the committee. A CFN press release showed that the spirit of the blitz is

alive and well in community foundations, and said that, during the current recession, the network has seen a 60 per cent UK-wide increase in private sector donors who are higher net worth or mass affluent rather than penny-in-the-bucket, if I can make such a crude distinction. The network seems to have succeeded to some extent in saying to individual donors, "These things are going on in the communities and neighbourhoods in your back yards. Can you respond?" Providing those people with a platform on which they can connect has enabled them to do just that. The spirit of the blitz might not be quite right, but that is what was in the press release from the CFN in London, and the Scottish Community Foundation is certainly seeing something similar here.

Gavin Davey: If there will be a funding gap in the future, unlocking those new philanthropists will provide an opportunity. I have had a number of discussions with bankers, financial advisers and those who are looking at strategic issues, and they see the opportunity.

11:45

Giles Ruck: In England and Wales, a programme called grass-roots grants enabled matched funding between public and private sector funding. I think that the ratio was 1:2, or 1 part public funding to 2 or 3 parts private funding. So as part of that 60 per cent increase in donors establishing funds through community foundations across the UK, the bulk of the increase in England and Wales was because of that incentive. In simple terms, newer donors really value leverage. In the past, based on anecdotal evidence, I would have said that donors were quite shy of funding alongside the public sector, but I think that I have seen a sea change and many donors are now quite happy for funding to be leveraged against a public sector initiative. In the Scottish Community Foundation, we envisage a small fund for communities that, if managed successfully, would look like a small grant-making community endowment. We believe that such endowments could attract private sector donors to come alongside the public sector in a ratio of greater than 1:1.

Such initiatives have certainly been successful in England and Wales. The CFN is making a pitch both to the current Government to repeat that initiative and to the shadow Government, as it were, to consider including that initiative in its first 100 days if it comes into power. I would certainly echo the point that, unfortunately, the initiative did not come across the border into Scotland, but there is evidence that it has worked.

The Convener: Would philanthropists be more likely to give to a sector that works in greater co-

operation with local government, with the Scottish Government and with each other?

Gavin Davey: That would depend on whether they were so persuaded. The choice is theirs, as it is their money.

An interesting precedent was set in the 1920s and 1930s, when the country was in, or at least emerging from, a recession. Like many others, our trust was set up in the 1920s, at a time when those who had enjoyed success in the commercial world wanted to give something back. For example, the Cadbury family—I know that Cadbury's has been in the news recently—established a trust that, like our trust, sought to relieve the pressure on local authorities. By establishing a model village, Cadbury's provided housing for those on relatively low incomes. Other organisations similar to ours were also set up by individuals who wanted to do something for their community. Such organisations have provided public amenities and have provided the funds to allow those public amenities to be kept up without having to tap into public funds even until the present day.

The Convener: I asked the question on the basis of Mr Ruck's suggestion that newer donors are more interested in leverage—which I think you also mentioned—to bring in funding from others. That is what encouraged me to ask the question. Are the trusts working more effectively together? We have heard today that trusts are independent bodies, but also that they are involved in networks and forums and groups. We heard a call—following a comparison with what is happening down south—for the regulator to do a bit more to sustain volunteers by ensuring that such people are more capable of doing the job of running the organisation. There may well be a role for the regulator or the Government, and there is certainly a role in partnership for local authorities that are trying to maintain front-line services, but I do not think that we have heard this morning about trusts coming together in the face of the recession to secure the future of giving.

Giles Ruck: I think that we have seen a change among individual philanthropists. Previous anecdotal evidence suggested that philanthropists were very cautious about coming alongside the public sector—partly perhaps because they would have said that sheer hard work and enterprise built up their business and the wealth that has enabled them to give—but my sense is that there is now a greater interest in involvement in projects alongside the public sector. Evidence from England and Wales shows that that has worked.

You are right to identify that there is possibly a communication gap. We are one entity, which predominantly provides a service. Where possible, and from time to time, we can connect donors,

whether independent funders or grant-making foundations, with local authorities. The question remains whether there could be a forum for more of that to take place. Yes, there could be. We would like the philanthropy debate to become an annual event. The forthcoming one will be the second; there has been a two-year gap. That might be a place where things could be debated.

In England and Wales, what made the grass-roots grants initiative a success—this is a bit like what happened with the fair share initiative—is that a relatively modest pot of funding was made available and there was local control, ownership and a stake in it. The Community Foundation Network assisted with fair share and grass-roots grants and brought in other funders, as did the community. Sometimes the incentive of ownership of a pot of funding can make a significant difference.

“Leverage” and “outcomes” are words that are always heard in discussion with new philanthropists, as they tend to be termed these days. Perhaps “benevolence” would have been the umbrella term or thought for their peers of up to 100 years ago. It is perhaps less about what the new philanthropists are funding and more about how they are funding it—there are outcomes at the other end. We know that there is a general move towards outcomes-based interest from funders. That is all good news.

Patricia Ferguson (Glasgow Maryhill) (Lab): I was very interested to read the list of organisations that have benefited from both your organisations—I recognised quite a few from my area. I thought that I might want to explore with you whether any good things could come out of the recession and what the opportunities might be. However, I think that Mr McLetchie and the convener have touched on that already. If you want to say anything about that, please feel free.

I realise that this is not your particular area of interest, but, in speaking to other colleagues, perhaps through the fundraisers forum, have you been given any indication that the philanthropists who previously gave—or currently give—to the developing world are thinking about reorientating their giving to Scotland or the UK?

Giles Ruck: You asked whether good things could come out of the recession. I noted a couple of things in the paper that I submitted. This might not necessarily be a great thing in the longer term, but we have certainly seen an increase in volunteer availability. We have employed volunteers from MacRoberts, the legal firm, which has helped us hugely in reorganising dormant trust assets. That is a win for the sector; I think that others would echo that.

I am not sure whether this is a win or a loss from a net perspective, but businesses are looking for greater efficiencies, so if they have funding available, whereas they might previously have had a little industry in their company to distribute funds, they might now look to outsource that. There might be a zero sum game in that; I am not sure. However, that allows us to be more active for businesses in matchmaking with really good voluntary organisations.

You asked about philanthropists moving their funding closer to home. We run what we call a foundation account service, which is quite modest—it has about 120 members. Anybody can open an account if they put £1,000 through it per year. Of course, people respond to crises, such as the crisis in Haiti. The process is transactional. We do not influence; we just transact—obviously with eligible, registered charities. It is fair to say, however, that we have seen donations or on-going commitments dropping off. Typically, those are monthly and quarterly subscription commitments to certain charities. I think that there has been a bit of a shift in that respect partly because we have become more active in promoting the value of and the need for support of community-level charities. It has been mentioned before that, historically, professional fundraisers are not only good at fundraising; they are also good at marketing, getting billboard space and so on. Perhaps it is down to others to try to promote community-level charities. As I say, we have seen a bit of a shift, but it has not been huge. People who have reviewed their weekly, monthly or annual budgets and considered their direct debits to branded charities have perhaps thought again. That is not universal, but a handful of people have done that in the foundation account service.

I hope that that is of interest.

Gavin Davey: On things that have come out of the recession, the sense of give back is enormously strong in Scotland. People want to do things for their communities. That is probably helped by the increased realisation and understanding of citizenship, for example. Whether we are talking about a small amount of voluntary work or an individual making a large donation, what probably has to be understood is not so much what is being done, but why it is being done. People who want to donate within their national borders or overseas have a choice. I suppose that one difficulty to get one's head around is that, if it is possible to unlock the giving of new philanthropists, those new philanthropists may choose not to give within Scotland's borders. That is a tricky issue. If new philanthropists are pushed into a corner, they may elect not to give, and that would defeat the purpose of trying to unlock their giving.

Patricia Ferguson: But there is no evidence that bigger-scale philanthropists specifically are shifting their focus. I am referring not so much to new people coming on the scene, but to existing donors. They are not sitting down and thinking that the situation at home is a wee bit trickier and that they will start to fund projects at home more than projects abroad.

Gavin Davey: I suppose that a fairly well-documented example over the past year is the Laidlaw Youth Trust, which made enormous contributions to the charity sectors in Scotland and England. It was expected that it would continue for a year longer than it did; it was then expected that it would draw down in Scotland and focus on Newcastle. In the end, the founder, who was contributing, headed off to South Africa. Unfortunately, such people have a choice.

Giles Ruck: There are examples out there, and perhaps we will see more as a consequence of role models. A good example might be the Wood Family Trust in Aberdeen. That trust set out its stall on international development work and a particular way of doing it, which is interesting. It is funding the Canadian and United Kingdom youth and philanthropy initiative. In our offices, which are close to the Parliament, we are hosting the youth and philanthropy worker in Scotland, who works not just in Aberdeen, but in the central belt. The Scottish part of that work is in effect being funded from that family trust. Anecdotally, I am aware that either Sir Ian Wood or the trust has responded to something to do with city centre regeneration in Aberdeen, although I am not entirely sure what that is. I do not think that that is recession related, but it suggests that people at that level can be interested and influenced.

I mentioned the philanthropy debate. Sir Ian Wood was on a debate panel two years ago, and individuals have said that they will join our panel in November. Among them are people who give internationally and people who give at home. Whether they are responding to the recession could be a fertile source of discussion.

The Convener: Thank you very much for your time and evidence, gentlemen.

Meeting closed at 11:59.

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