



RISING TO THE CHALLENGE
CHARITABLE FOUNDATIONS'
RESPONSES TO CORONAVIRUS
AND THEIR FORECAST
FOR THE FUTURE

APRIL 2021

CONTENTS

Executive summary	3
Foreword: Carol Mack OBE, Chief Executive of the Association of Charitable Foundations	5
1. Methodology	6
2. Respondents	6
• Type of foundation	
• Geographical remit	
• Size by annual grant-making	
• Interest areas	
3. Reported impact of coronavirus on the foundation's work in 2020	7
• Operational changes	
• Funding and programmes	
• Relaxing requirements and reducing burdens	
4. Forecasted impact of coronavirus on the foundation's operations in 2021	10
5. Forecasted impact of coronavirus on the foundation's grant budget in 2021	12
• Establishing coronavirus-specific funds/activities	
• Expectations of how long a distinct approach might last	
• Forecasted impact of coronavirus on the foundation's grant budget	
• Differences by foundation type	
6. Wider trends	16
• Maintaining flexible approaches for applicants and grantees	
• Perceptions of civil society demand	
• Perceived sectors of need	
• Interest and engagement in funder collaboration	
• Sources of evidence to inform foundation decision-making	
• Views on actions that government and regulators could take	
Conclusion	20

EXECUTIVE SUMMARY

In March 2021, the Association of Charitable Foundations (ACF) surveyed its members to understand what the impact of coronavirus was in their work in 2020, and what their forecast was for 2021. Responses were received from 80 charitable foundations across the UK, with balanced representation from small, medium and large grant-making charities.

The headline findings are:

- Nearly all respondents (96%) said they changed their work in 2020 in response to the coronavirus pandemic – including new grant programmes, increased funding, closer collaboration with other funders and overhauls to how they assess applicants.
- 9 out of 10 expect to maintain or increase grant funding for civil society in 2021 – 45% plan to maintain their 2020 level of grant spending in 2021 and 41% plan to increase it, but many of these plans were uncertain in the longer term.
- Many foundations plan to maintain or return to their usual funding programmes or areas of focus in 2021, but apply a ‘coronavirus lens’ to their work or offer additional support particular groups that have been most affected.
- Nearly half are planning to establish a new fund or re-align grant programmes in 2021 to focus on direct support for people or sectors most affected by coronavirus.
- Many expect a negative impact on their own finances (40%) and predict financial turbulence.
- More than 8 out of 10 stated an ongoing commitment to increased flexibility for grantees and reduced administration for funding applicants, with some stating this will remain a permanent feature of their practice.
- Two thirds say they will work differently in 2021 because of the ongoing impact of the pandemic, with nearly half of this group intending to do so throughout the year, and the same number saying they thought this would extend beyond 2021.
- Two-thirds of foundations intend to collaborate with other funders in 2021, such as to align strategies, pool funds and share information.

Central to the responses was evidence of foundations striving to help applicants and grantees in this unprecedented context.

70% of foundations reported the same or more demand on their resources at the start of 2021 as in the aftermath of the first lockdown a year ago. 30% of foundations, however, reported a fall in demand compared to the first lockdown, particularly in terms of emergency health response funding.

When asked which sectors of civil society were most in need, foundations identified a huge range, with culture, health, education, employment and training, and housing the most selected. Several foundations reported plans or actions to create specific funding programmes or ringfenced funding for Black, Asian and Minority Ethnic-led organisations and communities.

Another theme was increased collaboration, with three quarters reporting on activities in 2020 to work more closely with other funders, to increase alignment and avoid duplication. This has included information sharing, pooling of funds and aligning strategic priorities, and most intend to continue to collaborate in these ways in 2021.

Foundations have not been immune from the impact of the pandemic, and many referenced strains on their own staff and systems. Some reported negative impacts on their finances, resulting in constricted grants budgets, redundancies, and operational challenges. 40% of foundations forecast that their finances will be negatively impacted by the pandemic, although half predict no change.

Despite this, nearly 9 out of 10 foundations plan to either maintain grant spending (45%) or increase it (41%) in 2021, with only a few (14%) intending to allocate less. Small funders were the most likely to predict no impact from the pandemic on either their finances or their grants budgets (75%). Conversely, the largest foundations giving more than £5m per year expect to be the most affected – half forecasting a negative impact on their finances. A quarter of these largest funders anticipate that their grant budgets could decrease but a third predict an increase.

FOREWORD

Carol Mack, OBE, Chief Executive of the Association of Charitable Foundations

It is a year since ACF surveyed our members during the first wave of Covid. That survey found that foundations were responding quickly to the crisis, stepping up to support those they worked with.

Every foundation has its own individual mission, which has shaped their response to the pandemic. For some, particularly those working with local communities, swift emergency action was needed. For others, the impact was more indirect and less immediately obvious. As 2020 developed and the impact of Covid continued to be felt across society and the economy, we saw four interlinked phases of the response from foundations. Firstly, many funders acted swiftly to provide immediate emergency funding – whether to support the search for a vaccine, or to meet basic community needs – like food and PPE.

A second broad response was to help existing grantees. One member told us in last year's survey: "We have suspended all formal reporting, in favour of picking up the phone and checking in with our partners how they are doing, how we can help and what they need from us".

Thirdly, as the pandemic unfolded, many foundations looked for where there are gaps in funding and where new relationships are needed to address them.

And lastly foundations are thinking more and more about how they work together to maximise their impact in response to Covid.

This report shows that foundations are continuing to build on these positive responses that took place in 2020 and carrying them into 2021 as – we hope – the country finds a route out of the pandemic.

But foundations, and the charities and community groups they work with, are emerging into a different environment after the economic and social scarring of the last year. Fundraising from the public and generating income from trading remain difficult for charities as social distancing restrictions remain in place. And even after these are lifted there is considerable uncertainty about whether the public will be willing and able to increase their charitable giving given the threat of increasing unemployment and decrease in household incomes. At the same time government support, whether from emergency funding directly for some charities or more universal help like furlough, is coming to an end.

All this means that foundations have become more important players in the funding mix for charities. I hear from many foundation leaders that they are aware of what increased responsibility this brings and I am pleased that ACF's Stronger Foundations programme is proving useful to many as a way to approach issues around the themes of mission, knowledge, power, accountability and connection, which emerged as the key cross-cutting themes from this work.

I am proud of how foundations have stepped up and continue to do so. But I am also mindful of the scale of the challenges that society faces. Funding remains very tight for charities and there are real risks for many as government support schemes wind down. Foundations will

continue to play their part but the government needs to keep under review the need for wider support.

Finally, I just want to acknowledge the immense effort of staff and trustees, who have worked intensively and with great dedication, aiming to ensure their foundation's resources achieve maximum benefit in these difficult times.

1. METHODOLOGY

The survey was open to responses by members of ACF from 23 February until 16 March 2021.

All ACF members were invited to participate, and 80 responses were received (20% of membership). Results were analysed by ACF in the second half of March 2021, using a framework method for qualitative analysis and Survey Monkey analytics tools.

A [previous survey of members on coronavirus response](#) was conducted in April 2020 (responses n=56).

The report was written by Max Rutherford, Head of Policy at ACF (max@acf.org.uk) and Joanna Pienkowska, Senior Policy and Engagement Officer at ACF (joanna@acf.org.uk)

2. RESPONDENTS

TYPE OF FOUNDATION

Of those submitting responses, a third said they represented family foundations (n=27), with a fifth from independent foundations (n=17). The remainder were primarily representing local foundations, community foundations, fundraising foundations, livery companies, benevolent funds and corporate foundations.

GEOGRAPHICAL REMIT

Respondents were able to select as many of the four UK nations as applicable to the remit of their work (and therefore adding up to more than 100%), with 75 choosing England (96%), 7 Scotland (9%), 6 Wales (8%), and 3 selecting Northern Ireland (4%).

SIZE BY ANNUAL GRANT-MAKING

A broadly even number of responses were received by foundations of the four size categories available, with 21% from the smallest foundations awarding less than £250,000 per year in grants (n=17), 23% awarding between £250,000 and £1m (n=18), nearly a third from those giving £1m-£5m (n=25), and a quarter giving more than £5m (n=20). This is representative of ACF's membership, but disproportionately representative of larger foundations compared to the grant-making charity sector as a whole. For the purposes of research about sector trends, however, this overrepresentation of larger funders is helpful given that they are accountable for the majority of grant-making in the UK and therefore their behaviour has a more substantial impact on civil society.

INTEREST AREAS

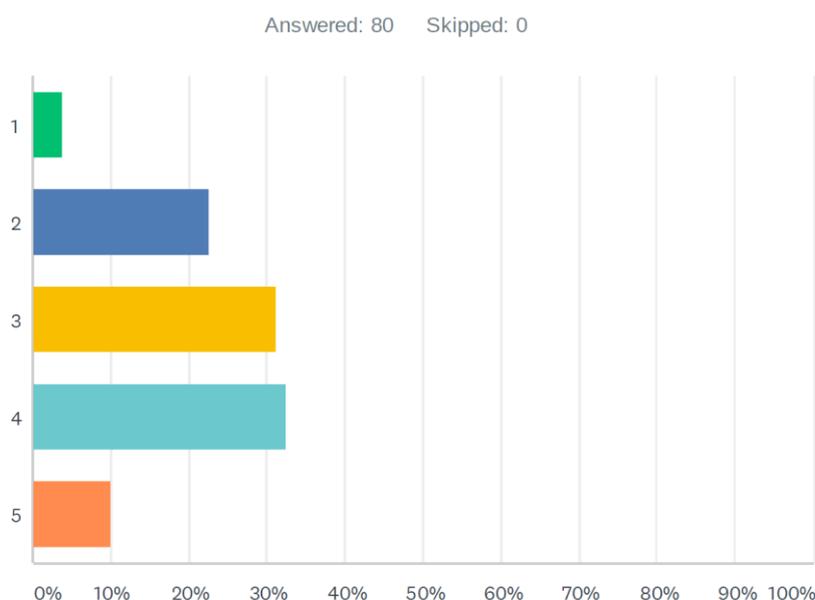
Respondents reported broad and varied interests in terms of the thematic areas most relevant to their foundation's work, including older people, armed forces, heritage, mental health, housing, poverty, refugees, scientific research, international aid, the arts, and education.

3. REPORTED IMPACT OF CORONAVIRUS ON THE FOUNDATION'S WORK IN 2020

Nearly all foundations said they changed their work in response to the coronavirus pandemic in 2020 (96%, n=77), while 10% (n=8) said they had changed all day-to-day activity. Two thirds of respondents scored this question either some (a score of 3) or nearly all (a score of 4), indicating that for most foundations there was significant change to normal practice in 2020. Only 4% (n=3) said there had been no change at all.

Larger foundations were the most likely to report a greater impact on their work, while the smallest funders were the least affected. More than half of larger foundations said they had changed nearly all/all of their work (a rating either 4 or 5), compared to just a third of smaller foundations. For the smallest foundations, more than 40% said there had been almost no change (a rating of 2).

Q8 To what extent did you foundation's work change in 2020 in response to the Coronavirus pandemic? (scale of 1 to 5, with 1 being no change at all and 5 changing all your day to day activity in response)



OPERATIONAL CHANGES

Many of the changes reported related to operational issues. Commonly reported changes included the move to remote working, such as virtual meetings, remote grant assessments and delivery on online events:

“We changed to online banking instead of cheques; virtual meetings with grant recipients and fund manager instead of face to face meetings”

“Operations adapted, of course, with remote working only. We are also unable to visit organisations in person as we would otherwise have done”

FUNDING AND PROGRAMMES

Many reported creating new emergency response funds in 2020. For some this meant additional funding (one reporting a 500% increase compared to the previous year):

"We set up a crisis fund in response to the pandemic which significantly changed the way we both issued grants but who we issued them to as well as the application process"

"The Foundation distributed a significantly higher proportion of funds in response to the pandemic. This included working closely with Government, other funders and national bodies to ensure funding could reach communities that were at the frontline of support."

Others described adapting planned programmes to support existing grantees to meet new needs and the health emergency:

"We focused on Covid-19 specific funding for org's we have long standing relationships with but we continued our ordinary times funding simultaneously"

"We suspended our existing grants strategy and began to award Covid-19 response grants to some of our existing grantees and to organisations that we had not previously funded"

"We launched a Covid emergency fund, and worked with all existing grantees to see how we could best support them; Due to resourcing in the team, most other 'usual' grant work went on hold for much of the year"

Others maintained their existing approach given the levels of activities being undertaken by others to address the pandemic:

"We did not focus on emergency, short term funding in response to the pandemic as this resource has been provided through a number of other public and philanthropic sources."

RELAXING REQUIREMENTS AND REDUCING BURDENS

Most respondents referenced changes to processes to relieve the administrative burden on applicants and grantees, such as streamlining application forms, reducing reporting and removing project requirements and converting existing grants to core funding:

"We have become more flexible with our funding and provide core, capital, project costs, or a combination - what ever will help the charity the most".

"We lifted some long-standing constraints on grant awards e.g. to approve funding for core costs and salaries rather than only supporting projects"

"Move towards core costs...Funding flexibility. Relaxed evaluation and report back requirements."

"Our main funding programmes normally give unrestricted grants in any case so we did not feel any changes were needed. Our only change was to allow applications by email (previously we had asked for applications by post). We also introduced the option of making grant payments electronically if requested (previously all grants were paid by cheque)"

4. FORECASTED IMPACT OF CORONAVIRUS ON THE FOUNDATION'S OPERATIONS IN 2021

Most respondents expected their foundation's work to be affected by the pandemic during 2021 or beyond. However, a substantial number did not think that their work would change significantly more in 2021 than it had already in 2020, with half (n=39) forecasting that in the next six months their work would not change at all/would change very little (a rating of 1 or 2).

"Our work has already changed significantly in 2020. We aren't anticipating any further shifts at this point other than working to identify which of those changes back in 2020 are likely to become 'business as usual' or how else we can be more responsive."

"At the moment we have made all the changes we plan to but who knows what else is around the corner."

"I don't think we will do further Covid funding at this stage but our grantees have been heavily impacted and we will continue to support them. We did move to a DEI focused strategy from summer 2020 so that also represents a big shift for us as an organisation for 2020."

"We have already reverted to our strategic grant programmes and expect to increase our grantmaking through these. We are focusing our non-financial support around the issues faced by charity leaders at the moment - new themes of wellbeing, recovery, digitization."

For many, changes to processes that increased flexibility and reduced the burden on applicants and grantees were here to stay:

"Many changes were made in 2020 and we anticipate 2021 will be an opportunity to bed in the changes."

For some, the biggest change in 2021 would be a return to office-based working, face-to-face meetings and physical events. However, most thought this would be much later in the year, and even then it would not be as it was before the pandemic:

"We don't anticipate going back into the office until June at the earliest, and our assumption is that we won't go back to full time office working."

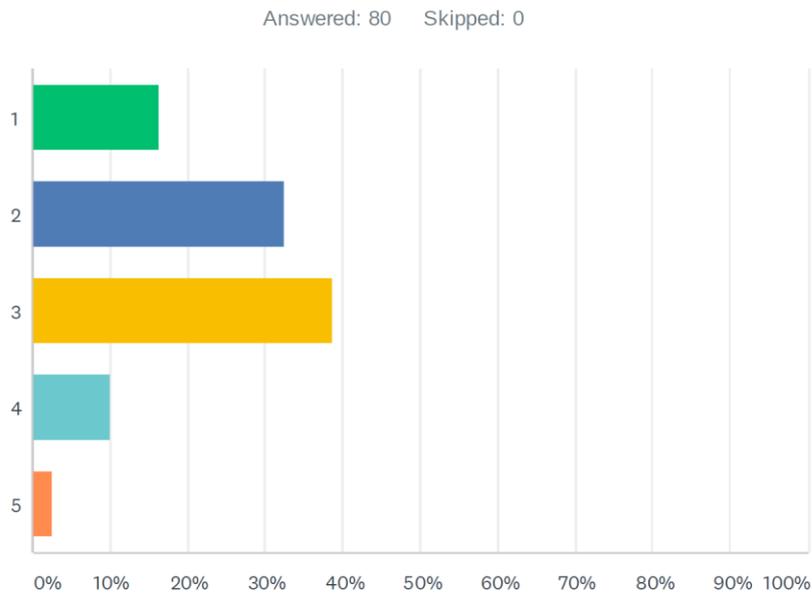
Despite this prediction of a return to business as usual for some, half of respondents thought 2021 would bring further significant changes *in addition* to those already made in 2020, with 39% giving a rating of 3 (change to work in some ways), 10% a 4 (very much) and 3% a 5 (all activity):

"The impact of the pandemic is only now beginning to influence our decisions. We are open to being more flexible, and potentially to award larger grants in 2021."

"As we come out from the pandemic social needs are going to be even greater. We will continue making grants perhaps refocusing our grant making areas to healing communities."

“We're working on a new strategy, in response to the massive change in context for young people now: economic recession, Covid-19, Brexit.”

Q9 To what extent do you expect your work will change in the next 6 months in response to the Coronavirus pandemic, compared to how you worked in 2020?(scale of 1 to 5, with 1 being no change at all and 5 changing all your day to day activity in response)



The largest foundations giving more than £5m per year were the most likely to forecast further changes this year, and the only group to include respondents scoring a 5 (changing all day-to-day activities, albeit in just two cases).

5. FORECASTED IMPACT OF CORONAVIRUS ON THE FOUNDATION'S GRANT BUDGET IN 2021

ESTABLISHING CORONAVIRUS-SPECIFIC FUNDS/ACTIVITIES

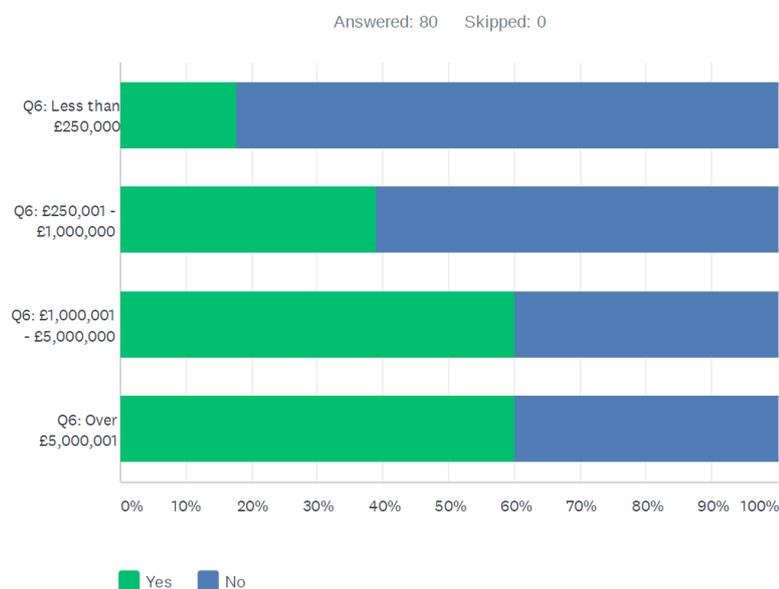
Respondents were asked whether their foundation planned to establish a new fund or re-align grant programmes in 2021 to focus on direct support for those or causes affected by coronavirus, which was a major feature of foundation sector behaviour in 2020. More than half (54%, n=43) said no, while 46% (n=37) said yes:

"We have established new funds in 2021 and all our work now will inevitably consider the effects of the coronavirus pandemic."

"This was done in 2020, but unlikely to be repeated. Instead we will focus on wider economy eg green jobs as route to sustainable recovery, or wider system eg early years to avoid disadvantaged students from falling behind."

When broken down by foundation size, it is clear that larger foundations are much more likely to be planning distinct coronavirus responses in 2021. 60% of those awarding more than £1m in grants each year said yes to the question, compared to just 17% of the smallest foundations. This suggests that in terms of funding for civil society overall, a significant proportion will remain targeted on specific coronavirus programmes and activities in 2021.

Q10 Is your foundation planning to establish a new fund or re-align grant programmes in 2021 to focus on direct support for those or causes affected by coronavirus?



However, it seems likely that a hybrid model will be the most common – where a foundation maintains or return to its ‘usual’ funding programmes or areas of focus but applies a ‘coronavirus lens’ to its work or for particular groups that have been most affected:

“Based on the findings from our Covid19 Emergency response work, we are establishing a Fund specifically for organisations led by and for Black and minoritised women which will provide multiyear funding.”

“We are looking to create a follow-on grant fund, but the vast majority of our support will not be coronavirus focused. It will be about recovery and combating inequality.”

“We will continue a focus on racial equity which we established in 2020 via our grant making programme.”

EXPECTATIONS OF HOW LONG A DISTINCT APPROACH MIGHT LAST

When asked how long respondents thought a distinct approach to coronavirus would continue within their foundation, responses were quite varied. Nearly two-thirds thought it would be at least 6 months more, while more than a third replied that they were not taking a distinct approach (35%, n=28). More than a quarter thought it would be throughout 2021 (29%, n=23), with another quarter thinking it would be longer than this (26%, n=21):

“It depends on the programme - likely to be six months in some instances, whole of 2021 and some changes will remain after the pandemic.”

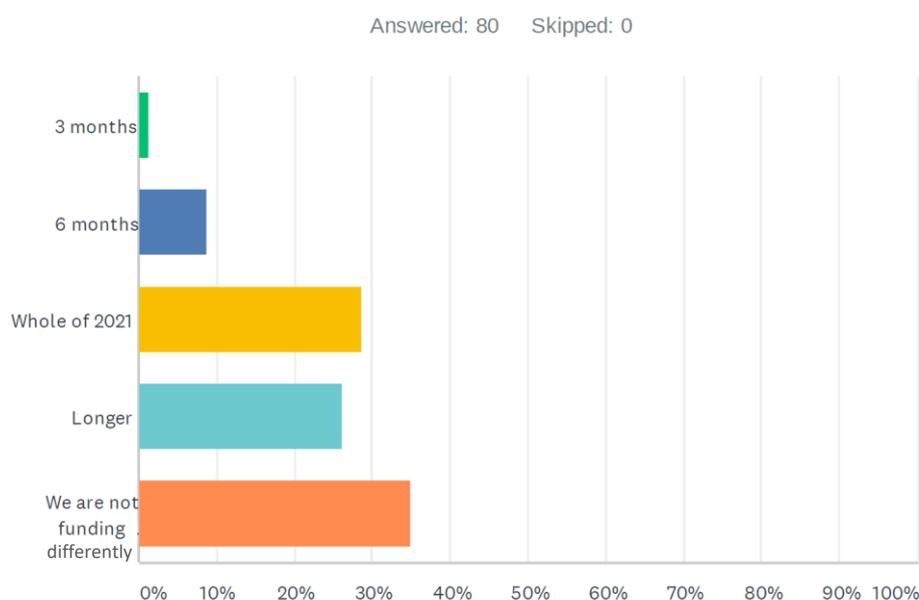
“During the pandemic we prioritised existing grant recipients to make sure they survived but we do not expect this policy to continue for much longer.”

“Some charities we support have suggested that the true financial impact of the pandemic will not emerge until 2022.”

“The changes we have made are permanent.”

“It seems inevitable that covid and its knock-on effects will run and run.”

Q11 If you are planning to fund in different ways due to the pandemic, how long do you think this will continue?



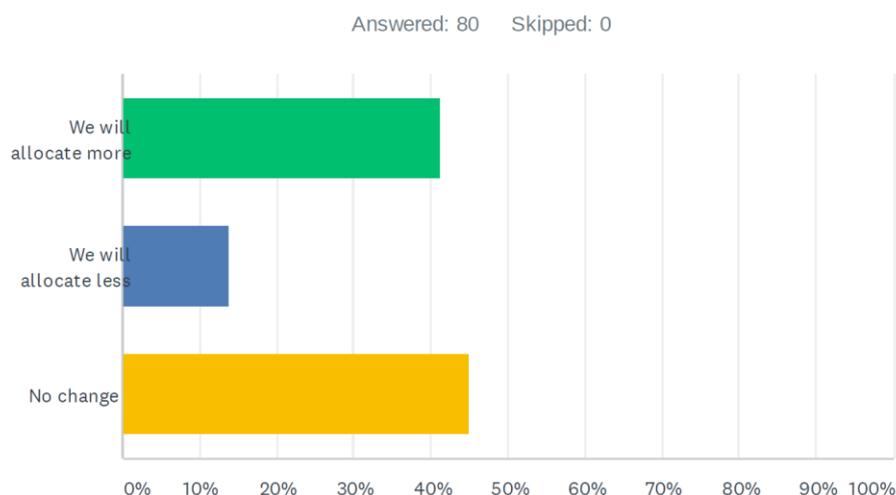
Clearer differences emerged depending on the size of foundation. More than two thirds of larger foundations giving more than £1m each year thought their distinct response to coronavirus would last for the whole year or beyond, compared to just a quarter of the smallest foundations giving less than £250,000 (most of which said they were not taking a distinct approach in 2021).

FORECASTED IMPACT OF CORONAVIRUS ON THE FOUNDATION'S GRANT BUDGET

There is understandably considerable interest and concern in civil society as to whether foundations will maintain grant spending in 2021 compared to 2020, or if it will reduce. Given the shortfalls in fundraising activities from traditional sources for many charities, reduced traded income, and a limited amount of support from government, foundation resources are proportionately more important than ever.

Encouragingly, nearly all foundations report that they intend to maintain or increase their grants budget in 2021 compared to 2020.

Q12 Do you anticipate that the pandemic will affect your grants budget?



Nearly half (45%, n=36) thought their grants budget would be the same as last year, and 41% (n=33) expected it would increase. Just 14% (n=11) reported that they would allocate less.

While this is clearly good news for fund-seeking charities, it should be noted that there was a degree of uncertainty for many, with comments like *“it’s hard to say”* or *“we are assuming that our income will be unchanged but cannot be certain about this at the moment”*.

DIFFERENCES BY FOUNDATION TYPE

The largest foundations giving more than £5m per year were the most likely group to say they planned to allocate less to grant budgets (representing a quarter of this group, principally those that are fundraising, and whose income has therefore been negatively impacted for similar reasons to those they fund), but 40% of this group expected to allocate more.

Several corporate foundations report a negative impact on their grant budgets:

“We were due to have an increase in donation from our corporate which would have impacted the grants budget in future years which is no longer happening due to profit impacts caused by COVID”

“Our income is linked to the profit of a company which will be lower because of Covid.”

For endowed foundations, investment performance has been resilient for most, with some even reporting an increase in endowment value over the year. Indeed, 10% of respondents thought the pandemic would have a positive impact on their foundation’s finances, and 50% thought it would result in no change. Concerningly, however, 40% thought there would be a negative impact (either short term, such as fundraising or corporate foundation’s annual income, or longer term with market corrections):

“We have benefitted from the rise in markets that is linked to the pandemic. However, we do not assume those gains are stable in the medium term.”

“Global investments have remained extraordinarily robust so our investments have, surprisingly, continued to perform well in spite of the pandemic.”

“We are funded entirely from investments, which have performed very well over the last year. Our capital and income has held up, but it would be extremely optimistic to assume that the global financial markets will continue to rise indefinitely.”

The largest foundations were the most likely to forecast a negative impact on their foundation’s finances (50% predicting this) compared to just 24% of the smallest foundations.

While endowment values have largely recovered or in some cases increased in the last year, income from investments is more uncertain, and this is resulting in unusual action being taken to maintain spending – such as drawing down on capital (which is legally only possible in some cases):

“Our investment managers have told us our income may be down by around 10% over the next year. This won't affect our existing grant commitments but will reduce the amount we would have available for new grants.”

“We do not know how long it will take for our income stream to recover.”

“Using capital is being discussed.”

The overall net impact for civil society in 2021 is that there is likely to be a similar amount of funding available from foundations compared to 2020, but with some uncertainty about the longer-term. Decisions by some of the largest foundations to reduce their grants budgets will likely have an impact, while others are looking to increase spending this year.

6. WIDER TRENDS

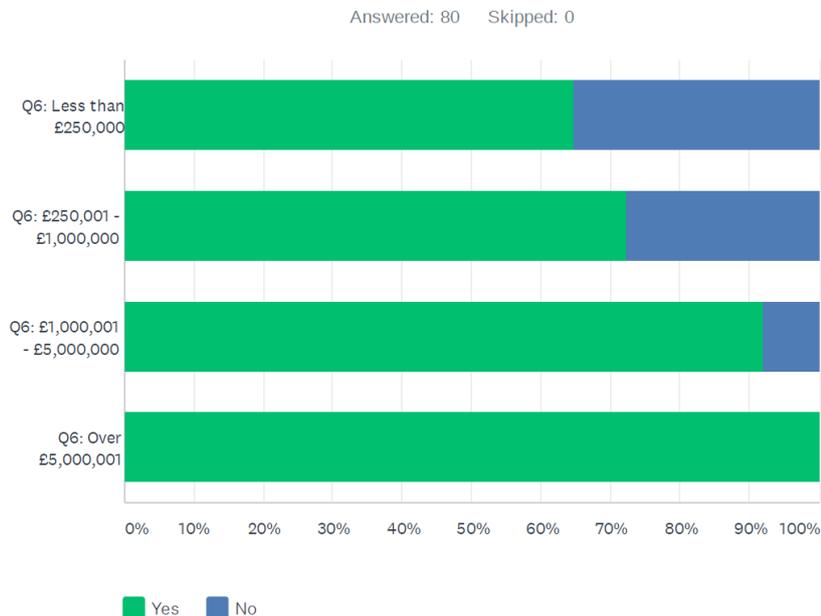
There were a range of other issues explored in the survey that point to some interesting wider trends in the sector, and some differences between foundations of different sizes.

MAINTAINING FLEXIBLE APPROACHES FOR APPLICANTS AND GRANTEES

2020 saw a proliferation of commitments and actions by foundations to be flexible with grantees, and efforts to reduce the administrative burden on applicants. More than 400 signed the 'We Stand with the Sector' pledge launched by London Funders, and it appears that these commitments will be sustained throughout 2021 and perhaps beyond.

When asked whether their foundation was increasing flexibility around reporting and payment schedules, 84% (n=67) said yes with only 16% (n=13) saying no. Larger foundations were most likely to say yes, including all those respondents awarding more than £5m.

Q14 Is your foundation increasing flexibility around reporting and payment schedules?



Many said that they have always had flexible approaches, and so have not had to change much at all as a result of the pandemic, but for others there were more significant reforms to their processes:

"We have changed from asking for information on planned outcomes to asking about learning from the last year."

"This is key for grantees and we have allowed almost full flexibility here to update these so that they match grantee needs which have changed."

"Grantees were contacted and if requested changes to either reporting and/or payment schedules were agreed. We will continue to be flexible to requests."

PERCEPTIONS OF CIVIL SOCIETY DEMAND

Respondents were asked if they thought demand for their foundation's funding has been different in early 2021 compared to the 3 months following the first lockdown in spring 2020. 40% (n=32) thought demand had been higher:

"The first lockdown increased demand but we opened a new fund in January and we are overwhelmed with applications."

"A significant increase, so far by at least 50%."

However, 30% estimated demand to be either the same and 30% thought it was less (both n=24):

"We're currently seeing less demand for additional funding from existing grant holders' 'normal' applications coming in at much the same level."

"There is less demand for emergency response, as there has been a high level of funding from [devolved] Government. However as we progress we would anticipate more organisations seeking more flexible funding and core costs that allows them to sustain or adapt."

"We are now getting very few applications."

"Many charities have been so busy they haven't had time to fundraise, or their volunteers have been ill/isolating and so they haven't been able to approach small trusts like ours. And then other charities have told me that they actually are doing quite well financially as they got lots of Covid grants in and were able to use the furlough scheme."

Some expressed a perception that the demand on grantees for their services was as great or greater than ever, particularly in certain sectors, and that there may be a cliff-edge approaching at the end of the financial year:

"Early years grantees have seen huge increase in demand."

"I think that there was a lot of emergency funding available for charities early on in the pandemic and lots of this comes to an end in March 2021."

PERCEIVED SECTORS OF NEED

Respondents were asked for a view on which sectors of civil society would be in most need in 2021. The categories offered in the survey were based on those used in [NCVO's Civil Society Almanac](#) and multiple selections were allowed. The responses reveal several sectors that more than at least 40% of respondents think will be most in need this year: Employment and training (69%); culture (59%); health (58%); social services (52%); education (48%); and housing (40%).

Several respondents added additional areas not specifically named on the list, including racial justice/racial equality, women, mental health, disability and older people. Others commented that there would be need in all areas, with one stating that: *"Organisations across the board are in crisis"* and another noting that *"public finances will be very tight."*

INTEREST AND ENGAGEMENT IN FUNDER COLLABORATION

Respondents were asked about their involvement in funder collaboration in 2020, and their interest in collaborative working in 2021. This was in part to inform the work of the [Funders' Collaborative Hub](#), a project launched in November 2020 to support alignment and coordination of funders in their responses to coronavirus.

Nearly three quarters said they had engaged in funder collaboration activities in 2020, with only a quarter saying they had not. Of those who had, more than half said they had done so by sharing information with a peer network of funders. Around a quarter said they had either pooled funds, aligned co-funding for a specific project and/or aligned their strategy with another funder. The London Community Response Fund and the DCMS Community Match Challenge were both given as examples by respondents.

A similar proportion of respondents reported a desire to collaborate with other funders in 2021 (including via the Funders' Collaborative Hub), with a third (33%) saying they did not intend to do so.

Perhaps unsurprisingly given their limited capacity, the smallest funders were the most likely not to have collaborated with others (although 41% did). Larger funders were most likely to collaborate, with a third reporting that they had pooled funds with others in 2020. More than three quarters of larger foundations plan to collaborate with other funders in 2021 and, encouragingly, 30% of the smallest funders plan to do so also.

"2020 saw a remarkable upsurge in funder collaboration. A year ago, it was already clear that foundations saw collaboration as vital for responding to the unfolding crisis. We can now see that those intentions were borne out in practice.

These findings highlight that funder collaboration takes many forms, from peer networks to pooled funds and specialist intermediaries.

Foundations expect the road to recovery to be long – and it's encouraging that most want to continue collaborating in 2021. The Funders' Collaborative Hub aims to help sustain the benefits of the collaborative approaches that proved so valuable over the last year."

Jim Cooke, Head of the Funders' Collaborative Hub

SOURCES OF EVIDENCE TO INFORM FOUNDATION DECISION-MAKING

Respondents were asked what kinds of data they are using to inform their foundation's funding priorities in 2021. This was left open to free text boxes and demonstrated that foundations are using a broad range of useful sources of evidence.

Many mentioned [NPC's Covid-19 Dashboard](#), [360 Giving's GrantNav database](#), and [ACF's Covid-19 resources page](#).

The most frequent response was 'grantee feedback'. Those who gave more detail described this in various ways, from informal data gathering to formal insight research commissioned from independent organisations.

Others noted the value of specific organisations related to their own areas of interest, such as the Centre for Mental Health and the Joseph Rowntree Foundation.

VIEWS ON ACTIONS THAT GOVERNMENT AND REGULATORS COULD TAKE

Respondents were asked to offer a view on what actions government and/or regulators could take to help foundations in their response. These were wide-ranging, including the view that government should focus more on certain causes and sectors, including early years and the arts. Many made calls on the government in terms of increasing Gift Aid, and on maintaining the uplift to Universal Credit payments.

Many comments focused on the need for government to see civil society as an integral and essential part of society as a whole, and a key part of the economy, not an 'added extra' or a 'nice-to-have'.

Some highlighted the potential for government to do more with foundations around match funding, and working with foundations as distribution partners. Several made points about the ways that government had distributed parts of the emergency funding announced in 2020:

"Some government funding has been distributed via management consultancy firms. Government should use experienced grant makers to do this."

"A key thing for Government is to recognise the cost of grantmaking. The funding provided by Government for core costs is just shocking - we are paying for the privilege of distributing Government money."

"Government funding needs to be more flexible and not 'spend out by financial year end'."

There were also some recommendations for the regulators, but with a mix of opinion about flexibility around charity accounts reporting:

"Ongoing flexibility on reporting deadlines, alongside a broader shift to a facilitative rather than regulatory approach."

"I am not keen on the regulators allowing huge extensions of time for charities to file accounts. It is hampering grantmaking as some applicants have no recent accounts to submit."

CONCLUSION

The results from this survey show that foundations are rising to the challenge presented by the pandemic, and that this effort will continue in the year ahead. Of significance is the clear message that most foundations intend to maintain or increase grants budgets this year. This will be reassuring for civil society to read but is caveated by a degree of uncertainty in these forecasts. In particular, the largest funders predict a mix of spending plans, while fundraising and corporate foundations are facing greater uncertainty compared to foundations with long-term endowments.

But foundation support on its own will not be enough, and represents less than 0.5% of that of government spend.¹ Ongoing government funding and financial support will be essential if civil society is to deliver a vital contribution to the nation's recovery. Government also needs to be partner, and be engaged in helping charities and community groups to achieve more. Failure to do so risks policies like 'levelling up' being unsuccessful.

Most foundations think that demand on their resources has increased at the start of 2021 compared to after the first lockdown in 2020. They see a wide range of sectors as being in need, with many funders noting the importance of focusing on those most affected by the pandemic. Better data, more regularly used, will enhance decision-making, as will closer and more regular collaboration between funders to achieve their goals.

Nearly all foundations have relaxed reporting and payment processes for grantees, and sought to reduce the administrative burden for applicants, and many say these changes will remain. The challenges of the pandemic have accelerated the pace of change within foundations towards more ambitious, inclusive and effective practice, as set out in ACF's [Stronger Foundations programme](#).

¹ The voluntary sector's income comes from a range of sources. Income from other voluntary organisations (which includes charitable foundations) made up 9.6% of the sector's income (£5.14bn out of a total income for the voluntary sector of £53.5bn) in 2017/18 (data from UK Civil Society Almanac 2020, NCVO). Income from the public was responsible for 47.4% of its income and income from government was 29.3%. The entirety of all grant making by all charitable foundations (which includes giving to individuals, non-UK organisations and organisations which do not fall under the NCVO classification for the Almanac) is estimated to be £6.5bn (Foundation Giving Trends, ACF, 2019).

This report is published by the Association of Charitable Foundations (ACF), the membership organisation for foundations and grant-making charities in the UK.

Registered Office: 28 Commercial Street, London, E1 6LS Telephone: 020 7255 4499 Email: acf@acf.org.uk Website: acf.org.uk

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying or otherwise, without the prior permission of ACF. The Association of Charitable Foundations is a company limited by guarantee registered in England and Wales. Company registration No 5190466. Registered charity No 1105412.