



WSRA POLICY No F5: Funding Policy and Process

Background

The West Somerset Railway Association is an incorporated charity. It became a company limited by guarantee on 16th May 1994 and a registered charity on 4th November 1994. All members accept a £1 liability in the event of the charity being wound up.

In the early years of the 21st Century the WSRA turned its attention to 'trading' rather than fundraising for its sustainable income and over time this caused some frictions on the railway. In 2015 a review of the WSRA by Robin Coombes, reached the clear conclusion that the WSRA should not trade in competition with the WSR PLC. This signalled the need for a significant change of direction for the WSRA and a broad understanding of the function of each of the different organisations that make up the West Somerset Railway.

As a result, during 2019 the WSRA turned its attention to fundraising and grant giving for the first time in several years and close to £250,000 was raised and granted to projects on the West Somerset Railway. At the end of that year the WSRA's trading concerns were sold to the WSR PLC as going concerns. The WSRA now derives its income from grants, donations and membership fees, along with income received from the hiring out of assets.

What the WSRA does

The WSRA supports and promotes the heritage of the West Somerset Railway. The WSRA Trustees must act in accordance with the Charity's objects and ensure that it is carrying out its purposes for the public benefit. The Charity's objects state:

The objects of the Association are to promote education in the heritage of the railway from Taunton to Minehead by:

- 1. Restoring, preserving and displaying railway locomotives, carriages, wagons and other artefacts (including documents, drawings, photographs, recordings and films) of historical interest and the buildings connected therewith.*
- 2. Promoting the cultural, environmental and social heritage of the railway, and delivering related events and activities for the public benefit.*
- 3. Encouraging recreation, well-being or other leisure-time occupation connected with the railway, including voluntary work on the restoration and maintenance of the railway from Taunton to Minehead and enabling opportunities for social cohesion and inclusion.*
- 4. Promoting individual learning and training in the skills required to maintain the heritage of the railway from Taunton to Minehead.*

How the WSRA achieves its objectives

The WSRA delivers its objects by funding and managing projects, including:

- Volunteer recruitment and support
- Education & training projects
- Community Engagement projects
- Restoring and preserving the physical assets of the railway, some of which are owned by the Association, and some by partner bodies.

Benefits and constraints of being a Charity

As a charity the WSRA is required to register with the Charity Commission. This is the UK government department responsible for registering and regulating charities in England & Wales. The commission has a statutory objective to ensure trustees comply with their legal obligations in managing charities and to promote public trust and confidence in charities more generally. It also has a statutory function to identify and investigate abuse and mismanagement in charities.

As a charity, the WSRA receives benefits and is subject to constraints.

Benefits include:

- The WSRA can claim gift aid relief on individual giving by UK taxpayers. This has the potential to increase donations by 25%.
- There are corporation tax benefits for companies who give money, time and equipment to charities.
- There is no inheritance tax to pay on legacies left to charities.

Constraints include:

The Charity Commission requires that a charity is managed by a board of Trustees and sets out the duties of the trustees. These include:

- Trustees must always act in the best interest of the charity, its objects and the general public.
- They must not be directed by others.
- They must avoid conflicts of interest, not only with personal interests but also with loyalty to another body.
- Trustees must manage the charity's assets responsibly by implementing appropriate financial controls and managing risks.
- Trustees must act with reasonable care and skill and take advice when needed
- They must also understand their responsibilities and ensure that they comply with Charity Commission guidance as regularly updated.

Funds and Fundraising

The WSRA operates its general fund together with separate 'restricted funds' where monies are raised and donated for specific projects. From time to time our accounts will also show 'designated funds' where a discretionary allocation from general funds or an unrestricted large legacy has been designated by the Trustees for a particular project, but not yet spent.

The WSRA has signed up to the Fundraising Regulator's Code of Fundraising practice and all fundraising activity and associated materials and documentation must confirm to this code of practice. Where the WSRA is used by other groups on the railway for fund raising purposes all fundraising activities, material and documentation must be approved by the WSRA before commencing.

The WSRA has published a fundraising policy which is available for download from the website.

Grant Giving

Apart from meeting the running costs of the Association and paying for the restoration and preservation of its own assets, including rolling stock, most payments made by the Association are technically grants. This includes payments made from restricted funds. The Charity Commission has published guidance on the requirements for funding an organisation that is not a charity. The WSR PLC and most of the WSR Station groups fall into this category.

Where grants are made to organisations that are not charities, Trustees have additional restrictions and responsibilities under charity law. These include, but are not limited to:

- Making sure that the organisation receiving the grant understands the WSRA's purpose and boundaries; a charity can only make grants for activities that in principle it could carry out by itself.
- Setting appropriate grant terms and conditions and ensuring that the receiving organisation understands and accepts them.
- Putting appropriate monitoring provisions in place.
- Not giving unrestricted grants to non-charities.
- Ensuring that grants only cover costs directly related to the activity they have agreed to fund
- Not funding the core costs (overheads) of a charity or a non-charity.
- Putting in place terms and conditions to ensure that:
 - The grant is spent in accordance with the WSRA's objects and powers;
 - The receiving organisation gives the charity regular written updates about how the funds are being spent and how the work has progressed;
 - Processes are in place to monitor and control the project spending, obtain good value for money spent, and manage risk;
 - Contingency plans and processes are in place in the event of any breach of terms and conditions or other failure of the funded organisation.

See appendix 1 for guidance notes.

Principles and procedures

In order to comply with the Charity Commission guidance, and carry out their duties, the WSRA Trustees have set out the following principles and procedures:

1. The WSRA operates its "general fund" together with separate "restricted funds" where monies are raised or donated for particular projects. From time to time our accounts will also show "designated funds" where a discretionary allocation from general funds has been agreed by the WSRA Trustees to a project but not yet spent.
2. Where the WSRA works in conjunction with other groups on the railway for fund raising purposes all fundraising material and documentation must be approved by the WSRA before being issued. All fundraising must conform to the regulator's Code of Fundraising Practice, which the WSRA has signed up to.
3. Gift Aid claims are made on both general fund and restricted fund donations. Individual donors must complete and submit a Gift Aid declaration in order for tax to be reclaimed.
4. Legacies can be received into the WSRA for either the general fund or restricted funds. WSRA has a separate Legacies Policy outlining the process for larger legacies. (WSRA policy F4)
5. Current and potential projects are reviewed by the Trustees on a regular basis at their meetings throughout the year and progress reports may be requested from time to time.
6. Assets in WSRA ownership receive priority for funding over assets owned by other organisations.
7. Where an application is received from the WSR PLC for funding, the project must not only fall within the WSRA's principal objectives, but expenditure must also be outside of the Operating Company's ability to fund and be likely to remain so. In this way, the WSRA funds are used to enhance or support existing heritage projects but are not a substitute source of funds for WSR plc.
8. All projects for physical items located on the West Somerset Railway must firstly be approved by any joint WSR Heritage Group which may be existing at the time. This is to ensure that any work or resources allocated to the project fall within the Railway's overall current or future operating plans and do not interfere with the best use of financial and manpower resources as well as locomotive or carriage and wagon workshop programmes.
9. To ensure that grants are spent in accordance with the charity's objects and powers, and are monitored and controlled, Trustees require that:
 - An initial WSRA Funding Bid is to be completed and submitted, together with an outline project plan, and budget. A cost risk analysis may be conducted at this stage to aid the parties in the planning process.
 - Further evidence may be required, including photographs and diagrams, evidence of match funding etc
 - Grant applications must demonstrate that the project will enhance the heritage, educational or community aspect of the West Somerset Railway in some way.
 - Project risk assessments are undertaken, together with further risk analysis if requested.
 - Grant Funding must be agreed prior to work commencing on the project and A suitable WSRA Grant Funding agreement must be in place.
 - Small one-off grant recipients must confirm the completion of the project in and supply photographs for publicity purposes.

- For larger projects regular written updates on and financial reports of project progress will be required. The offer letter for the grant will specify such conditions.
 - For major projects undertaken by contractors, copies of contracts and /or invoices will be required as specified in the grant offer letter.
 - For major projects, a designated Trustee or an independent suitably qualified representative may be assigned to monitor progress and expenditure, and satisfy themselves that best value has been obtained. This will be specified in any grant offer letter.
 - Major projects may be funded in pre-defined stages as progress is confirmed by agreed reporting procedures.
10. The WSRA will retain the title in all grant funded assets until such time as the project is completed and signed off by both parties.
11. All publicity and promotion relating to projects funded in full or in major part by the WSRA must conform to WSRA branding guidelines and be approved by the charity prior to release.
12. The WSRA may reduce, suspend, or withhold the Grant, or require all or part of the Grant to be repaid (clawback) if during the project or within the 12 months following completion and sign-off:
- there is any change to the Project which we have not previously approved in writing;
 - any information provided in the Project Application Form, or in a request for payment, or in subsequent or supporting correspondence, is found to be incorrect, untrue or incomplete to an extent which we consider to be material;
 - a charge is taken on any grant funded Capital Asset without our prior written consent; or there is an unauthorised attempt to dispose of a grant funded Capital Asset;
 - any attempt is made to transfer or assign any rights, interests or obligations created under the grant funding agreement without our prior written consent;
 - there is financial irregularity impropriety or negligence in relation to the operation of the Project which is not rectified within the timescale specified by WSRA;
13. In the event of a failure of the funded organisation to complete the project, the WSRA retains the right to either step in and attempt to complete the project, to sell the materials or take whatever other action Trustees judge necessary to protect the charity's assets.

Using the above criteria, the WSRA has, in the past, provided the means for substantial funds to be raised and responsibly invested in the West Somerset Railway, for example in relation to track renewal, the overhaul of locomotives, carriage and wagon restoration, volunteer recruitment and training and facilities, buildings and structures across the railway.

Policy Author(s)	Jacquie Green and Geoff Garfield (WSRA GM & WSRA Trustee)
Date confirmed by WSRA board	1 st June 2020
Date Implemented	2 nd June 2020
Updated to include new Articles	13 November 2023
Approved by WSRA Board	11 December 2023
Frequency of review	Five years
Last Review	March 2025 – Mike Sherwood – (Trustee)
Next Review due:	March 2030

Appendix 1 to WSRA Policy no F5: Funding Policy and Process

Summary and Guide for the WSRA Grant Application and Award Process

Introduction

The WSRA uses the charitable funds it collects for two distinct purposes. The first is to restore and maintain the heritage assets that it owns, principally its locomotives and rolling stock. The second is to support preservation of the railway between Taunton and Minehead (the railway) which allows the WSRA to be able to display the heritage assets that it owns which predominantly are operated on this railway. The second objective is achieved via a grant giving process. This document aims to be a practical guide to applying for grants from the WSRA. Policy F5 Funding Policy and Regulations set out the framework and constraints within which the WSRA gives Grants and guides Trustees in their decisions.

What a Grant Can Support

- Restoration or repair of station buildings and platforms that are part of the railway
- Restoration or repair of structures that are part of the railway including bridges and cuttings.
- Restoration or repair of the track formations that are part of the railway including the cess and associated drainage.
- Restoration or repair of locomotives that will run predominantly on the railway.
- Restoration or repair of rolling stock that will run predominantly on the railway.
- Engagement of the wider community with the railway
- Training of volunteers or apprentices on the railway (except direct employment cost)

What a Grant Cannot Support

- Wages
- Associated employment costs (e.g pensions and NI)
- The cost of leases.
- Costs incurred in the normal day to day running of a business or charity.

Who Can Apply for a Grant

- The WSR plc
- Other charities based on the railway.
- Station groups that support individual stations on the railway
- Recognized groups who work in support of the railway (e.g volunteer P-way gangs, volunteer S&T gangs, recognized volunteer restoration teams)
- Informal groups that come together to execute an approved project on the railway provided they are all registered on the HOPS system used by the WSR plc to manage its volunteers and staff.

Who Cannot Apply for a Grant

- Organizations with no demonstrable connection with the railway
- Individuals with no demonstrable connection with the railway.

How to Apply for a Grant

- For smaller well defined grants use the WSRA Small Grant application process F2. Ask for help if you need it from a Trustee or the WSRA General Manager.
- If you are uncertain start by having an informal meeting with a trustee so that they can provide guidance
- For larger projects (those that might be multi step or cost more than £5000) initiate a formal and regular dialogue with the WSRA via its Trustees or the WSRA General Manager. This is particularly applicable if the WSRA is going to lead a fundraising appeal in support of the project which can then benefit from the associated gift aid.
- Apply in plenty of time, the larger and more complex the project the longer the application process is likely to take and the more information is likely to be required for the trustees to make a determination.

The Minimum Information Required by the WSRA

- A description of the project for which a grant is requested.
- The total cost of the Project
- Information in support of the costs of the project (quotations, estimates etc)
- Potential restrictions or difficulties including limited choice of contractors due to the nature of the project.
- The amount of Grant requested
- Any other sources of funding
- The anticipated start and finish date
- Will any part of the work engage volunteers, contractors or paid staff.
- If paid staff are engaged in what capacity.
- What will be the benefit to the railway of the project.
- What are the likely consequences to the railway if the project cannot proceed.

What Happens After you Submit the Grant Application

- Trustees meet monthly and Grants can only be awarded at a formal meeting of the trustees.
- Trustees may require more information before making a decision on providing a grant. The applicant will be notified of this promptly. It will mean the decision is held over until the next trustee meeting.
- The trustees may make an offer of a grant which might be up to 100% of the sum requested. If the applicant has offered match funding then the grant offered will be for up to 100% of the balance of funding.
- The WSRA ring fences any funding it offers from existing funds or that received by way of appeals.

What to do if you Receive an Offer of a Grant

- You must respond formally accepting the Grant and any conditions that are attached to the Grant offer.
- For small grants the trustees may decide to pay the costs or supply a requested item(s) directly.

What to do if you have Accepted a Grant Offer

- You must comply with the conditions that might be attached to a grant offer e.g.:
 - Submit ongoing funding requests with any proof of expenditure that has been requested in the grant offer e.g. copy invoices.
 - Provide regular project updates to a requested schedule.
- Trustees are aware that with larger projects there can be changes that come to light once the project has begun. If the project is funded in full or in part by the WSRA grant then the WSRA must be kept informed promptly at all times of the changes and their likely impacts.
- Irrespective of any formal conditions attached to a grant offer you should, as far as is practicable, keep the WSRA informed of the progress of the project photographically, verbally and in writing. This enables the WSRA to publicize the project and the WSRA support and makes the process of securing further charitable funds easier. This applies even if the grant has simply supplied an item of equipment. A few photo's of the item in use are of great value.