

10 PILLARS OF STRONGER PRACTICE



**FOR SMALLER
FOUNDATIONS**

**STRONGER
FOUNDATIONS**

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

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EXECUTIVE SUMMARY

ACF's Stronger Foundations initiative has found excellent and ambitious practice in every kind of foundation – from the largest and most well-resourced to the very smallest.

The contribution of smaller foundations and their grant-making is of enormous importance to civil society, and their individual and collective impact on people, places and causes is invaluable. While smaller foundations may be

constrained by limited resource, capacity, and time, they can have a structural advantage in pursuing ambitious and effective practice and achieving impact in pursuit of their mission.

Smaller foundations can be:

- ▶ more agile in their decision-making
- ▶ better connected to local communities
- ▶ leaner in their bureaucracy
- ▶ able to 'stick or twist' with their objectives more flexibly

This short report highlights 10 'pillars of practice' from the Stronger Foundations initiative that smaller foundations are particularly well-placed to pursue, whatever their remit, level of resource, or operating model. These pillars were selected with input from ACF's Smaller funders network, a community that involves nearly 150 foundation staff and trustee representatives. Examples of how smaller foundations are pursuing ambitious practice related to these pillars are included throughout pages 8-12

The 10 pillars of stronger practice for smaller foundations are:

- 1** Understands its mission and the impact it is seeking to achieve
- 2** Thinks collaboratively to pursue impact and advance its learning
- 3** Identifies and selects funding practices that are most likely to fulfil its mission and designs its processes in accordance with its values

- 4** Seeks to achieve positive impact beyond a financial contribution
- 5** Is aware of the external context and its role in the wider ecosystem
- 6** Continually strengthens its governance, including its diversity
- 7** Invests time and resources in understanding and defining diversity, equity, and inclusion
- 8** Makes itself accountable to those it serves and supports
- 9** Understands that responsibility for its investments sits with each and every member of the trustee board
- 10** Understands the importance of transparency and engagement, and articulates its approach

FOREWORD

Hazel Capper, St Giles & St George
Johanna Tompsett, SYP Trust

We recently started as co-convenors of the ACF Smaller funders network. We are proud to support the launch of this new publication from ACF, and think it is a welcome addition to the Stronger Foundations initiative.

We are very pleased that ACF has recognised that the majority of the foundation sector are 'smaller' grant-making charities and have developed a resource specifically for them. Especially one that celebrates the

pioneering approaches by some smaller funders, as well as guiding all towards ambitious practice.

The involvement of members of the Smaller funders network to identify the final 10 pillars means they are rooted in reality, and they certainly resonate with us. ACF has ensured there is at least one pillar from each of the six thematic areas of Stronger Foundations. Not surprisingly, there is some overlap with the 10 pillars aimed at chairs (published in

2020) as both are aimed at stimulating discussions amongst trustees as well as staff members.

The latest report really focuses on the key issues for smaller foundations and there are many useful examples of how these funders are pursuing these pillars of best practice. Three of the five cross-cutting themes (mission, accountability, and connection) come across very strongly in the 10 pillars as these are important for all foundations, regardless of size or operating model.

We believe this will be a valuable resource for smaller foundations and look forward to sharing it with members of our network.

“WE ARE VERY PLEASED THAT ACF HAS RECOGNISED THAT THE MAJORITY OF THE FOUNDATION SECTOR ARE ‘SMALLER’ GRANT-MAKING CHARITIES AND HAVE DEVELOPED A RESOURCE SPECIFICALLY FOR THEM”

INTRODUCTION

THE VITAL IMPACT OF SMALLER FOUNDATIONS

There are thousands of grant-making charitable foundations in the UK, nearly all of which would be considered 'small' in terms of their financial turnover and number of paid staff, with many being entirely run by volunteers. More than a third of ACF members have an annual expenditure on grants below £250,000, and half give less than £500,000.

The largest 300 foundations in the UK are responsible for half of all charitable grant-

making by value, with just 20 foundations responsible for around a quarter.

This means that well over 90% of the foundation sector will have much smaller annual grant spend than the largest 300 foundations. Many of these smaller grant-makers choose to award their funding as small grants, with the result that smaller grant-makers are collectively responsible for very many interactions between foundations and grant-seekers, grantees

and communities. The role of smaller foundations and their grant-making is therefore of enormous importance to civil society, and their individual and collective impact on people, places and causes is highly significant.

Indeed, evidence gathered through ACF's Stronger Foundations initiative is clear that no foundation or type of funder has a monopoly on best practice. Excellent and ambitious practice is found in every kind of foundation – from the largest and most well-resourced to the very smallest. Many smaller foundations are highly successful at non-grant-making activities, such as advocacy, research and in-person grantee interaction. Indeed, it is clear that smaller foundations can have a **structural advantage** in pursuing ambitious and effective practice and achieving impact in pursuit of their mission.

“IT IS CLEAR THAT SMALLER FOUNDATIONS CAN HAVE A STRUCTURAL ADVANTAGE IN PURSUING AMBITIOUS AND EFFECTIVE PRACTICE AND ACHIEVING IMPACT IN PURSUIT OF THEIR MISSION”

INTRODUCTION

Smaller foundations can be more agile in their decision-making, better connected to local communities, leaner in their bureaucracy, and able to decide whether to stick with or move away from their objectives more flexibly. Nearly all of those who contributed to our survey of the Smaller funders network agreed with ACF's hypothesis that smaller foundations can have a structural advantage, with one smaller funder adding that they

can "be experimental without much repercussion". Despite resource and capacity restraints, smaller foundations across the UK are pursuing ambitious and effective practice while making a vital contribution to supporting communities, places, people, and causes.

Size doesn't have to be a limiting factor in determining how a foundation operates: nearly all foundations have

the independence to determine how to allocate resources and which operating model is best suited to their mission.

But with fewer assets and less income, most smaller foundations aim to offer the largest possible grants budget by having few or no paid staff and are less likely to undertake non-grant-making activities. Where there is a paid staff member, they are likely to work part-time. Limited staff time can make it difficult to take on additional organisational development alongside day-to-day activities, and aside from the trustee board there are less likely to be others to discuss ideas and thoughts on foundation practice with.

About this resource

While we encourage all foundations to consider each of the 40 pillars from across the six main thematic reports (set out in the [appendix](#) to this report), we recognise this is a lot to digest for

any organisation, particularly those with more limited resources. In addition, some pillars may lend themselves more readily to operating models involving a staff team with a variety of roles.

This short report highlights 10 'pillars of practice' from the Stronger Foundations initiative that smaller foundations may be particularly well-placed to pursue, whatever their remit, staffing level, or operating model. They were selected with input from ACF's Smaller funders network, which involves nearly 150 staff and trustee representatives.

Throughout the report we have included examples of how smaller foundations who have used the [Stronger Foundations self-assessment tool](#) reported how they are pursuing these top 10 pillars of ambitious practice.

The bullet points below each pillar in this summary indicate some of the ways that each one could be implemented in practice. These points are described in

The most frequent words in answer to the survey question about smaller foundation limitations were:

LIMITED STAFF TIME
CAPACITY FUNDS
RESOURCES

INTRODUCTION

more detail in the Stronger Foundations thematic reports, from which the ten pillars have been selected.

We hope this resource is supportive and inspiring for smaller foundations, and that it prompts useful discussions, particularly among trustees. We also hope it demonstrates ACF's commitment to recognising the vital contribution of smaller foundations to the sector, and their invaluable impact within civil society.

About the Stronger Foundations initiative

Between 2018 and 2020 ACF led the largest foundation engagement initiative globally to date, examining with our members what it means to be a stronger foundation in the 2020s.

Through six member-led working groups involving 100 foundation representatives, ACF facilitated 42 sessions of inquiry into aspects of foundation practice, and published six thematic reports across issues as wide-ranging as diversity, impact, transparency, investment,

strategy, and funding practices. Between them, these reports set out 40 'pillars of practice' that identified how foundations can be ambitious and effective with all their resources.

Subsequently, ACF created a self-assessment tool for its members to consider the pillars in their own foundation's context and give themselves a score on the extent to which they believe the practice described is fully embedded. In the first year after its launch, nearly 100 foundations have used the tool in a variety of contexts, including board meetings, strategy reviews and

team meetings. The results showed that small foundations felt just as confident and ambitious as larger foundations about many areas of practice. They also identified a range of ways to enhance their effectiveness.

If your foundation hasn't used the tool yet we encourage you to give it a try, and then **check your progress** once a year.



1

UNDERSTANDS ITS MISSION AND THE IMPACT IT IS SEEKING TO ACHIEVE

- ▶ Has defined its mission as a charity
- ▶ Involves everyone at the foundation in developing and implementing its mission
- ▶ Allocates time and resources to review whether its mission remains fit for purpose

How smaller foundations say they are pursuing ambitious practice in this area:

“We have decided to dedicate the entire resources of the foundation towards our mission over the next five to seven years and

are putting time and thought into our processes at the moment. All trustees and our staff member are involved in this with the aim of delivering our mission and vision.”

“We are currently developing and implementing our mission as we review our strategy and spending - working out what it is that we want our endowment to achieve. We are radically overhauling our grant-making because continuing to make small grants in the current vital decade for the planet did not seem fit for purpose.”

2

THINKS COLLABORATIVELY TO PURSUE IMPACT AND ADVANCE ITS LEARNING

- ▶ Considers the contribution that the foundation makes, and avoids simplistically appropriating the impact of those on the front line
- ▶ Shares its knowledge, processes and connections with others to enhance collective impact and reduce duplication
- ▶ Recognises its role in wider systems, and how it relates to the external context

These two pillars are from the Stronger Foundations report on:

- ▶ IMPACT AND LEARNING

CHECK YOUR PROGRESS:
STRONGER FOUNDATIONS
SELF-ASSESSMENT TOOL

How smaller foundations say they are pursuing ambitious practice in this area:

“We chair the sector funding network; we share learning and regularly collaborate with funders.”

“We plan to do more to understand public sector funding in the boroughs we support.”

“We will consider ways in which we could collaborate more effectively with different stakeholders.”

3

IDENTIFIES AND SELECTS FUNDING PRACTICES THAT ARE MOST LIKELY TO FULFIL ITS MISSION AND DESIGNS ITS PROCESSES IN ACCORDANCE WITH ITS VALUES

- ▶ Everyone at the foundation has a deep understanding of the foundation’s vision, mission and values, and has developed its funding practices and processes accordingly
- ▶ Understands and clearly articulates what its causes and communities of interest are and designs its approach to funding to best meet need
- ▶ Is transparent and accountable about its funding processes and can explain its decisions to others
- ▶ Has applied considerations of diversity, equity and inclusion to its funding practices and processes, enables diverse views to inform its decision-making and acknowledges its blindspots and works to address them

- ▶ Considers the whole funding ‘toolbox’ when identifying and selecting funding practices, and is cognisant of how its choice of tools complement and relate to the wider funding ecosystem

How smaller foundations say they are pursuing ambitious practice in this area:

“ We have clear mission and vision well understood by trustees and staff. We carry out robust research and understand what our stakeholders and partners need.”

“ We have worked hard on refining our vision and values and we have taken steps towards greater clarity and transparency (our first website and 360Giving) but as a proactive funder there is more we could do. We have switched investment managers to reflect our values. We are relational and engage with our grant-holders often, asking for feedback and input on our processes.”

4

SEEKS TO ACHIEVE POSITIVE IMPACT BEYOND A FINANCIAL CONTRIBUTION

- ▶ Engages with its grantees and applicants to identify what non-financial support they need to maximise their impact
- ▶ Regularly reviews the nature of the funding relationship, and the extent to which it is genuinely relational or transactional in its approach and thinks about supporting relationships between grantees for mutual benefit
- ▶ Considers whether it is able to provide non-financial support or where it can signpost to other sources of support, and articulates these clearly
- ▶ Recognises any power imbalance that exists between it and those it funds, and seeks to minimise it

How smaller foundations say they are pursuing ambitious practice in this area:

“ We work extensively with grant recipients to provide capacity building, increasing their professional relationships, providing expert advice, providing support, help raise their profile.”

“ We are relational and have a maximum of 30 grants at any time, giving us capacity to stay in touch with our grant-holders’ needs, concerns, challenges etc. We talk to our grant-holders about our work, what we are struggling with, excited by, perplexed by, don’t feel we are good at. We listen. We make sure they know we are both entering into a partnership where we are learning together.”

These two pillars are from the Stronger Foundations report on:

- ▶ [FUNDING PRACTICES](#)

5

IS AWARE OF THE EXTERNAL CONTEXT AND ITS ROLE IN THE WIDER ECOSYSTEM

- ▶ Considers political, financial and social contexts in its strategic thinking
- ▶ Is conscious of its blind-spots, and is informed by a variety of perspectives, including those with lived experience
- ▶ Seeks to identify others already working on similar areas, thinks collaboratively, and considers how it can add value rather than duplicate

How smaller foundations say they are pursuing ambitious practice in this area:

“As a company foundation we seek to engage our network of local offices and regularly consult with them how they utilise our charity in their community engagement activities and regularly ask them what their community needs are.”

“We consult with community groups to ask them what their funding needs are and how the charity can help them to address these needs. We regularly ask community groups to feed back on the impact of our funding on their community to ensure the charity is achieving its objects. For areas we are not able to support we sign post to organisations that are specialist in the field needed.”

“We are planning to collaborate with organisation serving the same groups of people to ensure we support our communities and individuals across a number of areas. We will continue to consult with our beneficiaries to ensure the charity stays relevant, focused and delivering on its objects.”

6

CONTINUALLY STRENGTHENS ITS GOVERNANCE, INCLUDING ITS DIVERSITY

CHECK YOUR PROGRESS:
STRONGER FOUNDATIONS
SELF-ASSESSMENT TOOL

- ▶ Considers governance as a tool for delivering its mission, and a process that is evolutionary not fixed
- ▶ Pursues the Charity Governance Code
- ▶ Has a diverse trustee board and staff, both in terms of demographics and experience

How smaller foundations say they are pursuing ambitious practice in this area:

“We have made some improvements in governance in the last two years, including a governance review, recruiting of a new Chair and three new committee members with lived experience. We have also improved our governance systems.”

“We have a 5-year programme of improving governance. Fixed trustee terms introduced, and yearly appraisals. Skills audit carried out, new trustees recruited to fill missing areas. Review board against Charity Governance Code annually. Board acknowledges improvements needed in board diversity, although good diversity of experience and age - not enough ethnic and gender diversity. Targets for improving board diversity introduced. Improvements to recruitment practices introduced for staff recruitment to improve diversity of candidates.”

These two pillars are from the Stronger Foundations report on:

- ▶ STRATEGY AND GOVERNANCE

7

INVESTS TIME AND RESOURCES IN UNDERSTANDING AND DEFINING DIVERSITY, EQUITY AND INCLUSION

- ▶ Considers how DEI relates to the foundation’s history, mission and current work
- ▶ Has a clear understanding and competency in terms of its definition of DEI
- ▶ Recognises that discrimination and unconscious bias might exist within its organisation and takes steps to identify and tackle this
- ▶ Everyone at the foundation receives training and support on DEI issues in order to enable them to carry out DEI practices in an effective and informed way

How smaller foundations say they are pursuing ambitious practice in this area:

“ We will undertake power and privilege training. We are currently developing a racial justice accountability plan.”

“ We incorporate lived experience in strategy creation (started last year, will build upon).”

“ We have a genuine wish to understand DEI in the context of our work. We have committed to some training and feel that reflecting on the issues is important and valuable. We can improve our understanding of how DEI impinges on what we do.”

“ We are part of an organisation that recognises the importance of DEI work. We have a fully dedicated post within the organisation actively promoting these issues and are working to launch a new DEI strategy to enhance practice.”

8

CHECK YOUR PROGRESS:
STRONGER FOUNDATIONS
SELF-ASSESSMENT TOOL

MAKES ITSELF ACCOUNTABLE TO THOSE IT SERVES AND SUPPORTS

- ▶ Invites, seeks and actively facilitates feedback from grantees and applicants about its practices
- ▶ Consults its communities as part of strategic reviews and in development and delivery of grants programmes
- ▶ Offers opportunities for challenge, feedback and appeals

How smaller foundations say they are pursuing ambitious practice in this area:

“ We have invited feedback from our grantees but this is not standard. We are in a transition period - moving towards spending down the trust because of urgency of the climate and biodiversity crisis. We see ourselves as taking the lead - the urgency is such that we want to push for greater change and provide more opportunity for grantees to have greater impact.”

“ Other than clear appeals, we have implemented feedback during strategy process, involvement of lived experience and open dialogue during grant formation.”

These two pillars are from the Stronger Foundations report on:

- ▶ DIVERSITY, EQUITY AND INCLUSION

9

UNDERSTANDS THAT RESPONSIBILITY FOR ITS INVESTMENTS SITS WITH EACH AND EVERY MEMBER OF THE TRUSTEE BOARD

- ▶ Recognises that each and every trustee has equal responsibility for investments as a core function of charity governance
- ▶ Empowers trustees to participate in big picture discussions on investments and how the foundation's investments relate to its wider goals
- ▶ Ensures investment discussions are demystified and jargon-free

How smaller foundations say they are pursuing ambitious practice in this area:

“ We will make it clear that any trustee is very welcome to join the finance sub-committee, and to ask questions, or seek clarification about anything related to investments and that input on investments from everyone is sought.”

“ All trustees receive investment papers. Strategic investment decisions made by all trustees. All trustees receive regular investment training. Investment subcommittee membership reviewed annually”

This pillar is from the Stronger Foundations report on:

▶ [INVESTMENT](#)

10

CHECK YOUR PROGRESS:
STRONGER FOUNDATIONS
SELF-ASSESSMENT TOOL

UNDERSTANDS THE IMPORTANCE OF TRANSPARENCY AND ENGAGEMENT, AND ARTICULATES ITS APPROACH

- ▶ Everyone at the foundation understands its approach to transparency and how it seeks to engage external stakeholders
- ▶ Regularly reviews who its stakeholders are and seeks to address their information requirements
- ▶ Communicates its approach to transparency and engagement as an integral part of its mission and values

How smaller foundations say they are pursuing ambitious practice in this area:

“ We know who our stakeholders are. We regularly consult them. We publish information about ourselves and have considered how much makes us accessible. We publish our content in three languages.”

“ We are planning to review who our stakeholders are and address their information requirements.”

This pillar is from the Stronger Foundations report on:

▶ [TRANSPARENCY AND ENGAGEMENT](#)

APPENDIX: THE 40 PILLARS OF STRONGER FOUNDATION PRACTICE

DIVERSITY, EQUITY AND INCLUSION

1. Invests time and resources in understanding and defining DEI
2. Produces and reviews strategies that will implement DEI practices
3. Collects, tracks and publishes data on its own practices and performances
4. Has a diverse trustee board and staff team, both in terms of demographics and experience
5. Reflects and implements DEI practices in its funding activities
6. Expresses its DEI commitment, policies and practices publicly
7. Makes itself accountable to those it serves and supports
8. Uses its own power to advocate for and advance DEI practices
9. Collaborates with others to promote and implement DEI practices

▶ DIVERSITY, EQUITY AND INCLUSION

IMPACT AND LEARNING

10. Understands its mission and the impact it is seeking to achieve
11. Bases its decisions on evidence, including meaningful feedback and lived experience
12. Believes that everyone in the organisation has a role in the pursuit of impact and enables a culture of learning
13. Considers the whole toolbox in pursuit of impact
14. Proactively seeks to understand how its operations affect others, and seeks to avoid and redress harm
15. Learns from failure
16. Thinks collaboratively to pursue impact and advance its learning

▶ IMPACT AND LEARNING

STRATEGY AND GOVERNANCE

- 17. Has a deep understanding of its vision, mission and values and articulates them publicly
- 18. Continually strengthens its governance, including its diversity
- 19. Informs its strategy with diverse perspectives and a range of evidence
- 20. Designs its strategy to make the most of all available resources, and supports good governance in those it funds
- 21. Recognises the importance and implications of time
- 22. Is aware of the external context and its role in the wider ecosystem
- 23. Is accountable, open to feedback and responsive to challenge

TRANSPARENCY AND ENGAGEMENT

- 24. Understands the importance of transparency and engagement, and articulates its approach
- 25. Embeds transparency and engagement across all its activities
- 26. Enables an internal culture of transparency and engagement
- 27. Proactively engages external audiences
- 28. Makes the most of opportunities and initiatives that enable transparency and engagement

INVESTMENT

- 29. Understands that responsibility for its investments sits with each and every member of the trustee board
- 30. Prioritises its mission when setting investment objectives
- 31. Engages with and holds to account those managing its investments
- 32. Pursues transparency and responds to scrutiny
- 33. Actively seeks a variety of research and views to inform its approach to investment
- 34. Reviews its own time-horizon
- 35. Seeks to positively influence the behaviour of others in relation to its investment

FUNDING PRACTICES

- 36. Identifies and selects funding practices that are most likely to fulfil its mission, and designs its processes in accordance with its values
- 37. Recognises the unique and vital role of grant funding and is aware of the variety of grants that can be made and the implications of each type
- 38. Seeks to achieve positive impact beyond a financial contribution
- 39. Proactively strives to understand the effects of its funding on others, and seeks to avoid and redress harm
- 40. Regularly reviews its funding practices as part of a culture of learning, and thinks collaboratively to enhance its impact

▶ STRATEGY AND GOVERNANCE

▶ TRANSPARENCY AND ENGAGEMENT

▶ INVESTMENT

▶ FUNDING PRACTICES