

# FUNDING PRACTICES:



**THE PILLARS  
OF STRONGER  
FOUNDATION  
PRACTICE**

**STRONGER  
FOUNDATIONS**

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### Members of the Funding Practices

**working group:** Nick Addington, William Grant Foundation; Pete Barrett, Community Foundation Tyne and Wear and Northumberland; Rhiannon Bearne, Millfield House Foundation; Fiona Bickley, Barts Charity; Jont Cole, Cole Charitable Trust; Flora Craig, Garfield Weston Foundation; Kate Franks, Innocent Foundation; Celine Gagnon and Eugenie Harvey, The Funding Network; Manny Hothi, Trust for London; Jenny Impey,

John Laing Charitable Trust; Nicky Lappin, Tudor Trust; Chris Llewellyn (group chair), CriSeren Foundation; Rachel Oglethorpe, Peter Minet Trust; Rosy Phillips, Mercers' Company; Sara Thurman, United St. Saviours Charity; Darryl Tidd, Talbot Village Trust; and Anthony Tomei, Bell Foundation and Bonnart Trust.

### External contributors who presented to the working group:

Amy Solder, Nesta; Alice Millest, EVPA; Beth Murray, Churchill fellow; Duncan Parker, Crowdfunder; Nick Perks, GrantAdvisor UK; Warren Carter, Moulsecoomb Forest Garden and Wildlife Project; Cleveland Henry and Kate Hainsworth, Leeds Community Foundation; Adam Lopardo, Community Foundation Tyne and Wear and Northumberland.

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# WHAT IS THE STRONGER FOUNDATIONS INITIATIVE?

*A foreword from Janet Morrison, Chair, Association of Charitable Foundations*

Thirty years ago, at a time of political turbulence, economic uncertainty and growing inequalities, a group of grantmaking charities came together to create an independent association that could offer them and others a space for robust discussion about what it meant to be a charitable foundation, to identify best practice and ensure that philanthropy kept pace with social need.

Three decades later, the Association of Charitable Foundations' 400 members collectively hold assets of around £60bn and give more than £3bn each year. As a society, we are experiencing one of the biggest upheavals to our lives that many of us have ever known. Against a backdrop of significant entrenched social, environmental and economic challenges, we are witnessing a global health emergency whose impact will be borne out for years to come. The voluntary and community sector – already facing rising

demand for its services – has faced an unprecedented challenge in meeting overwhelming new and evolving need. The role of philanthropy is more critical than ever.

At ACF our mission is to support members to be dynamic, ambitious, effective and expert, so that their resources are allocated for social good in a way that maximises the potential benefit to the individuals, causes and communities they serve.

Foundations are ideally placed to take a long-term and independent view, to respond creatively to change and emergent needs, catalysing social good and energising communities. For some, simply giving out awards to good causes is value in itself. For others, making strategic interventions and generating bodies of evidence and learning to bring about change are fundamental. From medical research to children's rights, the arts to environmental activism, community spaces to international development – many foundations are active agents of change. This plurality generates a funding ecosystem that is as varied as the communities that foundations support.

In the last decade, a more intense spotlight has shone on all charities, including on their fundraising, safeguarding and investing practices. Foundations, as charities themselves, are not immune from criticism, and in recent years there has been a noticeable increase in public scrutiny of philanthropy. Doing good by giving financial support to others is not enough. Thinking hard about how we behave and how we embody our values in everything we do is vital. This means asking hard questions about how we work, adapting and changing – not simply doing what we have always done. As society changes, we need to ensure philanthropy evolves too.

**THINKING HARD ABOUT HOW WE BEHAVE AND HOW WE EMBODY OUR VALUES IN EVERYTHING WE DO IS VITAL**

ACF launched Stronger Foundations in December 2017, a flagship initiative to help charitable foundations identify and pursue excellent practice. At the heart of the project were six working groups, established and launched between May 2018 and February 2019, each focused on a different aspect of foundation practice:

▶ **DIVERSITY, EQUITY AND INCLUSION**

▶ **IMPACT AND LEARNING**

▶ **TRANSPARENCY AND ENGAGEMENT**

▶ **STRATEGY AND GOVERNANCE**

▶ **INVESTMENT**

▶ **FUNDING PRACTICES**

Every group's principal purpose was to examine, discuss and debate challenging questions about foundation practice related to its theme, as well as drawing on learning that is emerging from the others. Each group comprised of up to 15 senior foundation representatives drawn from across ACF's membership, who met seven times over a 12-month period. The meetings varied in format depending on the topic and area of inquiry and included presentation of evidence by experts from within and beyond the foundation sector, small group discussions, whole group exercises and visits. The working groups' full terms of reference can be found [here](#).

## **MORE THAN 100 FOUNDATIONS HAVE BEEN INVOLVED TO DATE, WHICH WE BELIEVE MAY BE THE LARGEST FOUNDATION ENGAGEMENT INITIATIVE OF ITS KIND IN THE WORLD**

Through this process, staff and board representatives from more than 100 foundations have been involved to date, which we believe may be the largest foundation engagement initiative of its kind in the world. I believe strongly that its findings will play a key role in shaping the priorities – and more importantly, the actions – of the sector in the months and years to come. The working groups have now concluded their inquiries, and this is the last in the series of reports on the groups' discussions having developed pillars of good practice – or what it means to be a stronger foundation.

This report is based on the inquiry of the working group which looked at funding practices. A summary of the group's seven meetings is presented in Part 2 of this report. Thanks to the dedication and efforts of the working group, experts from beyond the foundation sector who have contributed, and the wider literature, ACF has been able to gather a huge amount of raw material, which we have used to create this report. The pillars of stronger foundation practice that we present here (and in reports on other topics) are our initial offering to our sector. We hope that foundations will consider these recommendations carefully in their own context and take steps to enhance their existing practice. With individual and collective effort, we can achieve a stronger foundation sector to the benefit of all.

# INTRODUCTION

## WHERE THE RUBBER HITS THE ROAD

*An introduction by Carol Mack, CEO, Association of Charitable Foundations*

This is the final thematic report from ACF's Stronger Foundations initiative. Previous reports have set out what stronger foundation practice looks like for diversity, equity and inclusion; impact and learning; strategy and governance; transparency and engagement; and investment. Although several of these themes have implications for funding practice, this report is the first to put funding practice front and centre. It builds on many of the ideas developed in our previous research, all of which was led by ACF members.

The overwhelming majority of foundations work with – and fund – others in order to achieve their mission. For many of our closest stakeholders, funding practice is the issue that impacts on them the most and which shapes their view of foundations. As a result, funding practice is a topic about which almost everyone has an opinion. This report tries to step back from the detail to consider what really matters; aligning funding practice with mission, ensuring that funding practices do no harm, and considering the impact of funding practices on those who experience them.

Too often I have heard foundations shrug off discussion about application processes and grant-making practice as being unimportant in the context of the causes they care most about. In a sense this is true; a perfect process guarantees nothing on its own, it is where and how it is applied that matters.

But funding processes are the sharp end. They are where the rubber hits the road; the interface through which foundations interact most intimately with those that they fund. They form the lens through which a foundation is seen and experienced. Funding practices really matter.

For a foundation, often secure in its funding, it can be hard to keep in focus that the decisions that it takes are just one side of a complicated funding relationship. On the other side of the relationship there are equally hard decisions to be taken, in which the opportunity cost of time spent applying to a foundation, the probability of achieving funding – and its quantum – and the accumulated cost of servicing a grant, form a horribly complicated cost-benefit question. Getting it wrong too many times can quite literally be a matter of life and death for an organisation if the sum of the costs outweighs the benefits.

**FUNDING PRACTICES ARE WHERE THE RUBBER HITS THE ROAD; THE INTERFACE THROUGH WHICH FOUNDATIONS INTERACT MOST INTIMATELY WITH THOSE THAT THEY FUND**

I hope that this report will encourage more foundations to bear this strongly in mind, and to think hard about the demands that they place on others. The cost of applying to you. The cost of managing your information requirements for your grant. The cost of reporting to you. The cost of gathering any data and financial information that you ask for. I hope that more foundations will be inspired to look long and hard at all of these and consider how much is really necessary, and whether the need could be met with the information that is already being generated for other purposes, including for other funders.

Fundamentally this is about effectiveness – maximising the impact of the charitable resources that foundations have at their disposal, reducing bureaucracy and needless process, and improving the system of information and application process for the applicant to benefit both applicants and grantees – and therefore their beneficiaries and causes.

At the heart of the value of foundations is their independence and their ability to take the long view, to back unpopular causes that may otherwise struggle to gain attention or support, and work counter to received wisdoms. They have total flexibility about how they operate within the law. They are free to choose their practices but without external stimulus, it can be too easy to settle for what is convenient rather than what is mission-led.

Being free to choose does not mean that foundations are free from external considerations and accountability. As our [report](#) on transparency and engagement said, enabling internal and external scrutiny allows questions to be asked and ensures foundations are held to account for their actions – including on their funding practices. And as our [impact and learning report](#) said, a culture of learning from applicants and grantees about their experience of applying for or receiving funding will help improve practices to reduce and remove unnecessary or inefficient features.

## COVID-19 HAS EXPOSED AND EXACERBATED INEQUALITIES IN SOCIETIES ACROSS THE GLOBE AND ADDED TO EXISTING CHALLENGES LIKE CLIMATE CHANGE AND AN AGEING SOCIETY

Our final piece of work from this ‘discovery’ stage of the Stronger Foundations initiative will look back on our research over the last two years, and the reports we have published, to draw out the overarching themes in a synoptic report to be published later this year. Moving forward, ACF’s learning and events programme will draw on all of the Stronger Foundations work to support foundations to achieve more and embed stronger practice.

Stronger foundations that achieve more for their mission will be even more important at this time of national crisis than when we started the Stronger Foundations programme. Covid-19 has exposed and exacerbated inequalities in societies across the globe and added to existing challenges like climate change and an ageing society. I am sure that foundations throughout the UK will want to draw on this report and the others to support them in being ambitious and effective in the way that they pursue their missions and use their resources for social good at this crucial time. At this point, it is worth setting out a few things that this report is not...

# IT IS NOT...

## A MANUAL

Over time, every foundation will have developed its own funding practices. This report is not an attempt to bring these together in a 'how to' guide or a manual; we do not attempt to endorse a particular approach to assessment, monitoring, or feedback. Instead we look at the principles that apply across foundations of all shapes and sizes, which when applied in individual contexts will bring about stronger practice and raise the ambition of the sector collectively.

## JUST ABOUT MAKING GRANTS OR ONE TYPE OF FUNDING

While grant-making has a unique role to play in the funding ecosystem, it is not the only mechanism through which foundations can have an impact. We acknowledge and celebrate the important role of grants in their many and varied forms, but also seek to place grant-making in the wider context of funding practices.

## ONE SIZE FITS ALL

Pluralism is a strength of the foundation sector, and ACF is immensely proud to have a very broad range of members, from large international funders supporting scientific discovery, to small, regionally focussed family foundations committed to preserving precious local assets. The ways in which this report applies to individual organisations will vary on a case-by-case basis, and progress towards the pillars presented should not be constrained or advantaged by size, remit, source of income or geography.

# IT IS NOT...

## ACHIEVABLE OVERNIGHT

We want to prompt a challenging and open conversation across the foundation sector about how funding practices are central to delivering a foundation's mission but also how they impact those seeking grants, funded organisations and the wider voluntary sector. Interrogating and changing existing funding practices may be challenging and take time, especially where practices are entrenched. However, a stronger foundation will recognise that the process of review and subsequent learning continues indefinitely and is not a one-off exercise; it requires resources and commitment.

## IN ISOLATION

Funding practices are at the heart of how foundations achieve impact, and this, therefore, makes a powerful way to round off this series of reports into stronger practice. The cross-cutting themes we have seen emerge – of accountability, of power, of legitimacy – inextricably link funding practices to other areas explored throughout Stronger Foundations, from governance to investments.

ACF's mission is to support foundations to be ambitious and effective in the way that they use their resources for social good. This means helping foundations learn and share, providing space and opportunity for foundations to debate and disagree, bringing external challenge, engaging with critical friends, reflecting on societal scrutiny, and as a result, continually raising the bar on what might be considered excellent practice. As we close this initial phase of Stronger Foundations having identified the pillars of stronger practice, ACF will be driving this forward across all our work in order to support the foundation sector in its collective endeavour to be more ambitious and effective, and ultimately achieve our missions in the best ways we can. I look forward to working with our members on this journey.

# WHAT DO WE MEAN BY FUNDING PRACTICES?

For the purpose of this report, we define funding practices as the ways in which a foundation allocates and distributes its funds, including not just the processes and mechanisms but also the values, behaviours and decisions that underpin them.

Where we refer to funding processes, we refer to the operational stages in which funding practices are implemented.

Within this remit we include not only grant-making, though this is the primary delivery mechanism for many foundations, but also other ways of achieving impact – the whole ‘funding toolbox’, including social investment (see also ACF’s [report \*Investment: The Pillars of Stronger Foundation Practice\*](#)). While some foundations operate their own programmes, this report focuses on the distribution of funding to others.

In each case, we take into consideration how to assess and select work to fund, how to ensure resources are being well used, and how to develop processes that reflect the foundation’s own values while also meeting the needs of those it funds.

**WE DEFINE FUNDING PRACTICES AS THE WAYS IN WHICH A FOUNDATION ALLOCATES AND DISTRIBUTES ITS FUNDS**

# FUNDING PRACTICES:

# THE PILLARS OF STRONGER FOUNDATION PRACTICE

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

**2 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**

**3 SEEKS TO ACHIEVE POSITIVE IMPACT BEYOND A FINANCIAL CONTRIBUTION**

**4 PROACTIVELY STRIVES TO UNDERSTAND THE EFFECTS OF ITS FUNDING ON OTHERS, AND SEEKS TO AVOID AND REDRESS HARM**

**5 REGULARLY REVIEWS ITS FUNDING PRACTICES AS PART OF A CULTURE OF LEARNING AND THINKS COLLABORATIVELY TO ENHANCE ITS IMPACT**

# A STRONGER FOUNDATION:

## 1

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

- ▶ Has a board and staff team that 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

## 2

### 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

- ▶ Understands their many forms and qualities and uses these to achieve maximum impact in different circumstances
- ▶ Regularly reviews grant programmes to ensure they remain relevant and are achieving the desired impact
- ▶ Recognises the importance and implications of time considerations in grant-making

# 3

## 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 fundees 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

# 4

## PROACTIVELY STRIVES TO UNDERSTAND THE EFFECTS OF ITS FUNDING ON OTHERS, AND SEEKS TO AVOID AND REDRESS HARM

- ▶ Makes efforts to find out how applicants and those receiving funding experience the foundation's practices and processes
- ▶ Understands its own role in the funding ecosystem
- ▶ Seeks to avoid causing harm, and proactively makes amends when it does
- ▶ Demonstrates empathy and flexibility with applicants and funded organisations, actively engages with them, listens to what they are saying and responds accordingly
- ▶ Seeks to identify patterns and themes emerging in its reporting processes, probes the reasons why, and is willing and able to act upon issues it observes

# 5

## REGULARLY REVIEWS FUNDING PRACTICES AS PART OF A CULTURE OF LEARNING AND THINKS COLLABORATIVELY TO ENHANCE ITS IMPACT

- ▶ Actively seeks to learn both from within and beyond the foundation sector about excellent funding practices
- ▶ Is proactive in seeking feedback and acts upon it, in a continual process of improvement
- ▶ Ensures that it takes into account diverse voices, including those who have historically been unsuccessful in funding applications or relevant groups that rarely apply
- ▶ Thinks collaboratively to learn from others, increase impact and avoid duplication
- ▶ Seeks feedback as a core component of its strategic development to ensure that feedback on funding practices and processes is heard and acted on at all levels of the organisation

# PART 1

## FUNDING PRACTICES: THE PILLARS OF STRONGER FOUNDATION PRACTICE

In relation to funding practices, a Stronger Foundation is one that can demonstrate or is pursuing the following “pillars of practice”. These have been developed by ACF and are based on the evidence gathered by the working group (including case studies of practice by foundations in the UK and elsewhere), the wider literature and the contributions of experts from beyond the foundation sector. Examples of each pillar exist in UK foundation practice.

The ways the pillars are interpreted and implemented will vary from one foundation to another, but we believe that all of them can be pursued, no matter what a

foundation’s size, source of income, or area of focus. While some foundations may want to pursue all the pillars, others may want to start with one or two. What matters most is to start and strive to do more.

The bullet points below each pillar in the summary above indicate some of the ways that each one could be implemented in practice. These points are described in more detail in Part 1 of the report.

# A STRONGER FOUNDATION IDENTIFIES AND SELECTS FUNDING PRACTICES THAT ARE MOST LIKELY TO FULFIL ITS MISSION, AND DESIGNS ITS PROCESSES IN ACCORDANCE WITH ITS VALUES

Previous Stronger Foundations reports have highlighted the centrality of the foundation's mission in guiding everything it does, from its impact to its governance to its investment strategy. They have explored in depth how a stronger foundation has a deep understanding of its mission, articulates this, and aligns its work in pursuit of that.

In doing so, it creates a solid base on which to develop its strategy, an operational plan and approach to funding. Clarity of mission, both internally and externally, is critical in ensuring that funding practices can be developed in alignment and that the foundation can display intentionality in their delivery.

Funding practices – how a foundation allocates and distributes its resources to others – are perhaps the foundation's most essential tool in pursuing its mission. They are also the practices that most acutely affect those around it; particularly its applicants, its funding recipients, its partners, and the system in which it operates.

As ACF's report *Strategy and Governance: The Pillars of Stronger Foundation Practice* sets out, when designing funding practices that align with mission, a stronger foundation may ask these questions, among others, as a guide towards making deliberate and intentional decisions in its funding practices:

- ▶ Have we considered the whole funding toolbox, including funding practices that we have not previously used, and chosen tools that reflect our strategic objectives for our chosen causes or communities?
- ▶ How does our approach to risk frame our funding practices?
- ▶ Have we listened to stakeholders and the groups and communities we care about to fully assess the need, and designed our offer accordingly?
- ▶ Do our application, assessment and decision-making processes make it possible for individuals, communities and organisations to access our funding? If not, why not and could we change that?

- ▶ Are we regularly collecting and reviewing our data to understand who is applying for and receiving our funding, identify any gaps, respond accordingly and ensure we reach those we most care about and who most need our support?
- ▶ Have we embedded considerations of diversity, equity and inclusion, and should our programmes be tailored towards the needs of certain groups?

Answering these questions is an ongoing process and requires the foundation to actively engage with external stakeholders. A sound internal understanding of what the foundation is trying to achieve is a crucial starting point. Where the foundation's values or behaviours are clearly present in and compatible with its funding practices, this will increase impact and clarity. It could also avoid the foundation being subject to critique or direct challenge, for example on burdensome application processes that are disproportionate to the size of the funds available or a low success rate caused by poor guidance. A stronger foundation is open to critique and willing to respond to challenge, with a view to making real changes that increase effectiveness, avoid and rectify harm caused or being caused.

## Racial equality and funding practices

In June 2020, ACF brought together more than 200 foundation representatives to discuss foundations' response to racial disparity, particularly in the context of Covid-19 and Black Lives Matter. A panel of experts shared views on foundations' responses and what they'd like to see happen next, as well as setting out a range of practical ways to make urgent changes to funding practices.

Foundations were challenged to address racial inequalities in their funding processes and outcomes, with speakers sharing experiences of practices that excluded or deterred applicants led by people from Black, Asian and ethnic minority backgrounds. The speed and agility with which many foundations have responded to the Covid-19 crisis has shown how change is possible, and suggestions included ringfencing funding and joining sector-wide initiatives to increase funding for BAME-led organisations.

A summary of the meeting and the full webinar recording are available [here](#).

## ▶ SELECTING FROM THE 'TOOLBOX'

A stronger foundation considers all the tools in its toolbox (see ACF's report *[Impact and Learning: The Pillars of Stronger Foundation Practice](#)*) This of course includes grant-making, and might also include offering funder plus, convening, using its investments, advocacy and influencing, and brand, amongst other tools. No foundation will use all available tools at all times, but a stronger foundation is intentional in its decision to use or not to use each one. Here, we consider those monetary tools, though we explore foundations' non-financial contribution in Pillar 3.

In its funding practices, a stronger foundation selects the tools that are most suitable to achieving its mission. There are a range of tools that a foundation may use, whether that is unrestricted grants, restricted funding, capital funding, social investments, or any variation on these. A stronger foundation thinks creatively about how to use all its tools and regularly reviews whether they have made the right choices to achieve maximum impact.

Each funding tool has advantages and limitations and will be most effective when used in the right context. Each requires expertise and legitimacy in order to use them well. Some, if used without due intentionality and mitigation of risk, may cause harm. Therefore, a stronger foundation is one that has understood and mitigated risks before taking action, and is also cognisant of the effect that using or not using these tools will have on the wider funding ecosystem (i.e. the ways in which public, private and charitable sources of funding relate to and affect one another).

Many of these other tools require different skills and resources to grant-making, and a stronger foundation will take this into account. For example, foundation resources directed towards using other tools may achieve impact but could also have implications for the foundation's grants and overheads budget. Such challenges may be overcome by working alongside other foundations (see pillar 5). While a foundation's operating capabilities are a key factor influencing a foundation's funding practices, a stronger foundation is not constrained by this and considers whether additional skills or resources are required to deliver its mission.

## ▶ FUNDING CRITERIA

An important consideration will be how the foundation sets its criteria and makes this information available to others. Many foundations routinely have open calls for general or specific kinds of applications, often determined by thematic area or geography, which if too broadly set can result in a substantial volume of applications far beyond the reach of the funding available. Some foundations have much narrower criteria, while others prefer to seek out organisations or projects and proactively invite applications. The latter approach requires robust research and understanding of the landscape of a particular issue, and the foundation must be cognisant of its own biases and the potential limitations of its networks and reach. It can be a way to target organisations that might otherwise not access foundation funding – for example in targeting organisations led by BAME or disabled leaders – but, more so than open grant programmes, it might risk missing out on key causes or organisations that sit outside of the foundation's understanding where it is not sufficiently broad. A stronger foundation thinks deliberately and intentionally about how it reaches prospective applicants, and critically analyses the merits and drawbacks.

It will also consider the implications of its criteria on those it seeks to support, including in terms of diversity, equity and inclusion (DEI). Questions could include:

- ▶ Who do our criteria, restrictions, or publicity exclude and does this impact our ability to deliver our mission?
- ▶ Have we taken into account the particular needs and starting points of potential applicants?
- ▶ If we require those we fund to have strong finances, robust governance practices or detailed operational policies, are we potentially and unintentionally ruling out applications from newer, smaller, or grassroots groups?
- ▶ Can we actively promote DEI by supporting those we fund to embed DEI in their own governance and practices?
- ▶ Are we carefully considering communications about our programmes, making criteria clear and transparent and ensuring that those we want to reach find out about the opportunity?

### **Covid-19, diversity, equity and inclusion in funding practices**

As part of coordination efforts between Department for Digital, Culture, Media and Sports (DCMS) and non-government bodies and funders, an equity and inclusion working group was established to develop recommendations for integrating a DEI lens to inform and support key non-government and government stakeholders in the implementation of civil society funding as part of Covid-19 efforts. The group worked with funders, lived experience representatives and infrastructure bodies representing groups highly impacted by Covid-19 to develop a set of funding recommendations that aim to support funding bodies to improve visibility, access, uptake of funding programmes by disproportionately impacted groups and communities, and processes for dialogue and accountability.

## **▶ DESIGNING PROCESSES: WHOSE EXPERTISE?**

In deciding on its funding practices, a stronger foundation recognises that those it supports are likely to have greater direct expertise in the issues the foundation seeks to address, is dependent on the organisations it supports to make a difference and enables their expertise to inform and shape its practices. This means being open-minded to new ideas, and importantly, basing decisions on evidence. A stronger foundation works in partnership with those it supports to add value and achieve impact together. Ways to do so might include: consultation with those 'on the ground'; sharing information with other independent and public funders; creating opportunities for lived and learned experience and expertise to inform decision-making; commissioning research; being responsive and flexible throughout processes, and taking action to rectify issues.

These suggestions require resourcing, but it does not have to be onerous and often saves time elsewhere. Simple measures include having a named point of contact within the foundation and setting out expectations and guidelines clearly on the foundation's website. Some foundations

may devote greater capacity to fostering longer-term relationships, and a sound understanding of 'customer service' can help in strengthening the relationship between the foundation and potential applicants, funded organisations and other stakeholders.

A stronger foundation understands that how you do something is often just as important as what you do. Trustees and staff alike need to understand the role that funding practices play in achieving mission and impact. Far from being mere administrative processes, funding practices are the manifestation of mission through which applicants, funded organisations and other stakeholders view and interact with the foundation. Answering these questions below will give the whole foundation greater confidence in understanding how its practices relate to its mission:

- ▶ Do both trustees and staff understand how decisions relating to funding are made, and their role within that?
- ▶ Is the foundation's approach to its funding practices clear, well-understood and workable internally and externally?
- ▶ Are trustees and staff appropriately skilled and resourced to deliver the chosen funding practices, whether that's with information, time, expertise, or access to other support?

## ▶ ALIGNING MISSION AND PROCESS

Scrutiny of the charity sector has increased in recent years. From the regulators to society at large, there is an expectation that charities are living their values and displaying behaviours that embody them. Foundations are not exempt from these expectations, and a failure to align values and behaviours may inadvertently cause harm. While no foundation sets out to do harm, the potential to cause it demonstrates the importance of thinking carefully and intentionally through all decisions, especially in its funding practices as an external manifestation of the foundation's approach.

Foundations are not obliged to have a fixed way to receive applications or to receive applications at all. Most require either a written or electronic application, usually submitted via their website. Some accept applications by way of a phone interview, an in-person meeting, or a video application. A stronger foundation designs its application process to best meet the needs of its mission and intended impact. For open programmes, it asks questions including:

- ▶ How might our application processes affect different groups of people or certain communities?
- ▶ Are our application guidance and forms accessible to people with literacy, language, vision or other needs?
- ▶ Will our targeted audiences have access to secure computers and internet connections?
- ▶ Is the burden of applying to us appropriate and proportionate to the scale and nature of funding offered, and the organisations we are seeking to fund?
- ▶ Do we communicate to grantees how long it will take us to make a decision and when and how they can expect to hear from us? Can we give an indication of the proportion of applications that receive funding so that they can make an informed decision about whether to invest time in applying to us?
- ▶ Can we relinquish some of our decision-making power and include other decision-making mechanisms (such as advisory panels with delegated authority) which will enable us to make decisions more quickly?

Foundations can choose the conditions that go along with their funding, depending on their own obligations under law as well as ensuring its mission is achieved most effectively.

A stronger foundation living its values exhibits them through the signals it gives its applicants in the form of its conditions. A stronger foundation acknowledges its power to set conditions and wields it carefully so as not to create unnecessary hoops for applicants to jump through. Where conditions are communicated clearly, they can be used to good effect. To understand this, a stronger foundation may ask:

- ▶ Why are there restrictions on our funding? Do we have solid reasons that we'd feel comfortable justifying if asked? Do these restrictions genuinely enable us to achieve our mission more effectively? If not, how readily can we remove these restrictions?
- ▶ If we pay in arrears does this place an unnecessary burden and potentially cause harm to grassroots groups that may have limited or no reserves?

- ▶ Is our reporting process a useful exercise that meaningfully informs our work and decisions, and those of our grantees in their specific contexts? Does it allow us to really understand impact? Could we be collecting data in more meaningful or simpler ways? What do we really want to know and are we asking the right questions to get the answer?
- ▶ Can we seek to award unrestricted funding for small grassroots organisations, especially where this enables groups led by BAME or disabled people?
- ▶ Can we be flexible about the proportion of funding a grantee can use towards overheads, taking into consideration how we might strengthen them in doing so around issues like governance and safeguarding?
- ▶ Do we ask how the applicant's strategy, decision-making and governance is informed by and involves people with direct lived experience of the issue?

A stronger foundation is transparent about its funding processes and provides information that enables its audiences to understand what it does, how it works, and what it is trying to achieve. By providing this information, applicants can make informed decisions on how to use their resources (e.g. whether to apply based on clear criteria or levels of competition). See our previous reports *Transparency and Engagement: The Pillars of Stronger Foundation Practice* and *Impact and Learning: The Pillars of Stronger Foundations Practice* for more details on creating opportunities for engagement and using feedback respectively.

## ▶ POWER IN PRACTICES AND PROCESSES

The way power dynamics play out will vary depending on who a foundation chooses to fund (for example, organisations or individuals), and the causes and communities of interest (for example, social justice or medical research). But in its essence, where a relationship exists between one party that has something and another party that needs something, it will affect the nature of that relationship. A stronger foundation understands the power

dynamics at play and how these might influence the relationship, taking steps to redress any power-related issues that might hamper the foundation's impact, legitimacy or accountability. This can aid stronger relationships with applicants, funding recipients, partners and other foundations. While investing time and resources in building relationships may seem a diversion of resources away from grant making, in the longer term it strengthens a foundation's effectiveness by enabling it to better understand the issues faced by its causes and communities of interest and facilitating open dialogue about challenges and issues faced by funded organisations, ultimately leading to better outcomes.

**A STRONGER FOUNDATION UNDERSTANDS THE POWER DYNAMICS AT PLAY AND HOW THESE MIGHT INFLUENCE THE RELATIONSHIP, TAKING STEPS TO REDRESS ANY POWER-RELATED ISSUES THAT MIGHT HAMPER THE FOUNDATION'S IMPACT, LEGITIMACY OR ACCOUNTABILITY**

# 2

## A STRONGER FOUNDATION 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

**Grant-making is the defining characteristic of the foundation sector. Grants play a vital and unique role, enabling work to take place that is essential to society, often supporting causes that would otherwise not raise income or attract public support.**

As a collective, foundations are still delivering their missions primarily through grant-making. Stronger foundations recognise the crucial importance of grants in supporting civil society and achieving impact and works to support their effectiveness. Grants take many forms and a stronger foundation understands their qualities and deploys them appropriately to achieve maximum impact.

Integral to this understanding will be recognising the impact that foundation funding has on those in receipt of it. In implementing this Pillar, a stronger foundation seeks to square its own needs with those of its recipients.

In Meeting 2 we heard from Nesta who presented to the group on their approach to funding. They defined their approach in *Funding Innovation: A Practice Guide*. The report outlines the types of grant and financial tools it has used, including:

- ▶ Unrestricted grants
- ▶ Restricted grants
- ▶ Repayable grants (loans)
- ▶ Own grants for direct delivery (advocacy and campaigning)
- ▶ Stage-gate grants
- ▶ Match funding dependent grants
- ▶ Revenue dependent grants
- ▶ Convertible grants
- ▶ Combination grants – grants combined with equity

While some of these may commonly be used by foundations, there may be others which are less commonly used. The working group's discussion on the different considerations of these tools is summarised on page 30, Part 2 of this report.

A stronger foundation has considered the following questions in relation to grant-making:

- ▶ Do we understand the range of grant types available to us?
- ▶ Have we considered the pros and cons of each option for achieving maximum impact?
- ▶ Do our choices reflect the mission and values of our foundation, and is the intentionality in these choices communicated clearly?
- ▶ Are our application and monitoring processes proportionate to the type of grants we award?

## ▶ TIME CONSIDERATIONS

Time is one of a foundation's greatest assets (see our earlier report *Strategy and Governance: The Pillars of Stronger Foundation Practice*) and is relevant in the context of funding, particularly grant-making. It is a key consideration for all funders in the design of grant funding programmes and is also, of course, critical for funded organisations who rely heavily on grant funding for their survival and so often prefer longer term or repeat funding to short term support. A stronger foundation recognises the importance and implications of time in its funding practices, the impact of these decisions for funded organisations, and uses the flexibility available to maximum benefit.

Different missions will at times require funding for a time-limited project, on-going advocacy work, or a piece of equipment; a stronger foundation understands the time constraints on its funding and applies funding practices appropriate to the context. For example, short-term or one-off grants for events or items of equipment should have application and monitoring processes which are proportionate to the scale and nature of the funding. For foundations,

longer-term grants are likely to use up its available budget at a faster rate but can offer a deeper contribution to pursuing mission and enable outcomes that are not possible with a short time horizon. And as we've seen recently, responding to emergencies can require fast turn-around of funding programmes and timeliness of making funding available. For applicants, longer-term grants can remove some of the uncertainty that shorter grants cycles entail, reduce the administrative burden, open space for strategic thinking and interventions in addressing issues more deeply, and enable relationships to flourish.

A foundation's own time horizon has significant consequences for its funding practices. For example, a capital spending or a spend down model means bigger but short-term budgets, and for a much more limited or finite time. The perpetuity model means smaller annual budgets, but, by definition, that the funding made available by that foundation will be available very long-term, potentially forever. For some foundations, budget choices are simply out of their hands; permanent endowment foundations are mandated to only spend income from their investments, and so have budgets determined by the markets, and fundraising foundations are reliant on donations.

When considering the time-horizons of grants, there will inevitably be implications for the foundation's overall grants budget. For example, multi-year grants within a current year's budget might mean spending the budget more quickly each year. Any spending model will have implications for the foundation's budget choices and funding practices and a stronger foundation understands the implications of its time horizons in designing and implementing funding practices.

Within these considerations are specific questions about timescales and restrictions, such as:

- ▶ What are the likely timescales for achieving the desired impact and what does this mean for the type and length of grant that we should use to achieve that impact through those we fund?
  - ▶ Should we make longer term and/or unrestricted funding available where impact is likely to be achieved in the longer term?
  - ▶ Is shorter-term project funding appropriate and what are the implications of funding in this way for the recipient organisation?
  - ▶ When might it be appropriate to use a repayable grant to maximise the potential impact of the foundation's resources?
- A foundation may choose to use a number of different types of grant depending on the aims of the funding programme, the organisations being supported by it, whether other funders are involved, or as a way to address risk. To ensure that the mix remains relevant and is achieving the desired impact, a stronger foundation regularly reviews its approach to grant funding and grant programmes and changes the approach where necessary (see Pillar 5 for more on this). Programme reviews will meaningfully involve relevant stakeholders to ensure that all views are taken into account. This may also involve external evaluation. Foundations may ask themselves:
- ▶ Is the type of grant that we have awarded helping or hindering the funded organisation to achieve impact?
  - ▶ What are those we fund telling us about our processes and how we are supporting them?
  - ▶ Are there any patterns, communities or geographic locations which are not receiving funding, and could that be related to the type of funding we offer?

# 3

## A STRONGER FOUNDATION SEEKS TO ACHIEVE POSITIVE IMPACT BEYOND A FINANCIAL CONTRIBUTION

Some foundations view themselves more as ‘capitalised charities’ or ‘activists with a budget’, while others would describe their work more in terms of a ‘traditional’ funder, providing financial contributions to the causes they care about. Some foundations have large staff teams, including those with expertise in specific types or areas of funding, and engage both in funding and proactive advocacy or research programmes. Others have a small staff team, or no paid staff at all, and focus their efforts on responding effectively to applications received.

Regardless of size, all foundations have the potential to go beyond a financial transaction in how they interact with and support those they fund. Some of these wider approaches are explored in depth in our report *Impact and Learning: The Pillars of Stronger Foundation Practice*; here we focus on those that relate directly to funding practices. A stronger foundation considers what non-financial resources it has which it can deploy in support of its grantees or mission, for example its networks, profile, premises, advice, or volunteers.

### ► RELATIONSHIPS

Some foundations refer to themselves as ‘relational funders’. Although it has no concrete definition, it is characterised by values and behaviours which mark a shift in how many foundations seek to engage with their stakeholders – in particular, funded organisations. Relational funding takes the funder-funded organisation relationship beyond the confines of a financial transaction through closer engagement and understanding of the needs of the funded organisation. While some prefer the term ‘user-centred’ funding, this may not suit the ethos of all foundations.

There is no ‘one size fits all’ and not all funders will wish to engage in this way. However, at its heart is a recognition that there is inevitably a relationship between the foundation and its applicants and grantees, even if it is solely related to the necessary processes of the funding transaction. The key is that whatever kind of relationship a foundation chooses to form with funded organisations, the choice is intentional and there is clarity on both sides about the terms of engagement. This will look very different for different foundations. A stronger foundation asks itself ‘for whose benefit is this offer of support?’ when they are considering the nature of its relationships with grantees and applicants.

**THE KEY IS THAT WHATEVER KIND OF RELATIONSHIP A FOUNDATION CHOOSES TO FORM WITH FUNDED ORGANISATIONS, THE CHOICE IS INTENTIONAL AND THERE IS CLARITY ON BOTH SIDES ABOUT THE TERMS OF ENGAGEMENT**

## ▶ FUNDER PLUS

Funder Plus, Grant Plus or Funding Plus, as it is widely known in the sector, is a manifestation of the concept of relational funding. It is a desire on the part of foundations to add value to their financial contribution through other means of support. While it is a way of working, it can also be defined by some practical actions. Funder Plus might include:

- ▶ amplifying grantee work and voices
- ▶ creating and supporting peer learning networks
- ▶ sign-posting to other sources of support or income
- ▶ capacity-building, offering 1:1 advice, consultancy and specialist knowledge or training
- ▶ co-creating new finance models

Who defines what additional support is required is key, and a stronger foundation understands that those needs should be defined in partnership with the funded organisation. Additional 'support' can sometimes feel like a burden where it is mandated or pressurised (e.g. seeking more contact with the organisation via meeting requests, phone calls or requests for input to other aspects of the foundation's work). Where a foundation

expects or requires engagement from funded organisations in meetings or events it should ask itself, 'are they fairly recompensed?'

A stronger foundation seeks to understand the ecosystem that it operates in and thinks collaboratively (see Pillars 4 and 5). As part of this it is important that foundations consider the capacity of the sector they want to invest in and the infrastructure that supports it.

## ▶ LEVERAGE AND ADVOCACY

A stronger foundation recognises any power imbalance that exists between it and those it funds and seeks to minimise it. Instead it seeks to build and share its power. Foundations may also wish to use their power to leverage other funders, influence policy, or catalyse other initiatives. They might want to influence the activity of government (foundation giving may only be a fraction of government spending but can have a disproportionate impact given the foundation sector's independence and tolerance for risk-taking). Foundations may want to leverage the public sector to test new ideas, pilot service innovation, attract or develop business or influence public opinion (see Pillar 5 for more detail).

## IVAR – Funding Plus

In its research on *Funding Plus*, IVAR said that:

*“most funding plus activity is described as ‘capacity building’ (training, consultancy, support) aimed at developing the skills of individual grantees and/or organisations. However, we have also found that many funders work to achieve influence and change through ‘plus’ activities, such as convening, networking or brokerage.*

*For a small number of foundations, the distinction between ‘funding’ and ‘plus’ is consciously and deliberately blurred. We have described this practice as ‘high engagement funding’, a term that better reflects the phenomenon than ‘grants plus’ or ‘funding plus’, which imply a simple ‘add on’ to basic monetary transfers’. This degree of engagement – where going beyond the money may be automatic and is an expression of values and beliefs – is still relatively rare. Indeed, at the other end of the spectrum, going beyond the money might just not be the right thing.”*

In thinking about how to make Funding Plus work, IVAR advises:

- ▶ Be clear about purpose
- ▶ Know and understand funded organisations work
- ▶ Alignment – of purpose, design and delivery
- ▶ Establish a shared commitment to the process
- ▶ Avoid prescriptive and standardised approaches
- ▶ Prioritise support for forward thinking
- ▶ Invest in the right kind of support
- ▶ Be mindful of power

# 4 A STRONGER FOUNDATION PROACTIVELY STRIVES TO UNDERSTAND THE EFFECTS OF ITS FUNDING ON OTHERS, AND SEEKS TO AVOID AND REDRESS HARM

Understanding the context in which a foundation operates is critical to being able to develop funding practices and an approach which takes account of the needs and experience of the people, issues and causes it cares about. ACF's report *Strategy and Governance: The Pillars of Stronger Foundation Practice* highlights the importance of horizon-scanning, understanding its role and remit in society and awareness in a wider ecosystem. This is crucial if funding practices are to be effective.

Questions to ask in relation to funding practices include:

- ▶ Do we know enough about our area of interest to make good decisions and do we have legitimacy to fund in this way or in this area (particularly in place-based contexts)?
- ▶ Have we consulted the right people and do our communities of interest have a role in our governance and practices, or a way to challenge our decisions?
- ▶ How does our funding approach relate to other funders and key stakeholders in the ecosystem and align with existing work in that area that may be enhanced or disrupted by our presence?

- ▶ Have we undertaken scenario-planning to consider changes to our environment, such as a shift in government policy/spending in our area of interest, or the withdrawal of our funding or that of another funder? What is our exit strategy and does this support or undermine the exit strategies or sustainability of funded organisations?
- ▶ Are we setting grantees up to succeed, or could we be causing issues for them? For example, we might be expecting too much in terms of delivery, not allowing enough time for start-up or delivery, or not adequately covering essential costs.
- ▶ Are we asking applicants to demonstrate innovation where the evidence does not support the need for this?
- ▶ If we welcome risk-taking and learning from failure, how are we protecting those we fund and work with from reputational harm?

A stronger foundation continually reflects on and understands its impact on the wider ecosystem in which it operates through engaging with and participating in relevant research, networks, conducting its own studies and evaluations and making these available to others. It is mindful of the burden its processes can place on applicants, seeks to minimise this and repairs harm that it may inadvertently cause. For instance, foundations may consider whether grantees are fairly compensated for work that goes beyond what might be expected.

**FOUNDATIONS MAY CONSIDER WHETHER GRANTEES ARE FAIRLY COMPENSATED FOR WORK THAT GOES BEYOND WHAT MIGHT BE EXPECTED**

## ▶ PROPORTIONALITY

As charities providing resources to others, foundations undertake due diligence assessments of those they may support in order to satisfy their own and their regulatory responsibilities. All foundations require information from those seeking their resources, for example as part of an application process or risk assessment. A stronger foundation ensures that the principle of proportionality is applied across all its funding practices and that the foundation does not place an undue burden on applicants and funded organisations by asking for information which can be found elsewhere or won't be used.

Monitoring funding and receiving reports on it is a key requirement for many foundations (although not all), in part to fulfil legal compliance on the foundation's part but also to help in understanding and demonstrating impact and effective use of resources. This part of the funding process is also an opportunity for foundations to take a temperature check of the external environment and the context in which those receiving funds are operating. A stronger foundation seeks to identify patterns and themes emerging in its reporting processes, probes the reasons why, and is willing and able to act upon changes it observes, either in its own funding practices or in providing further or different support.

**A STRONGER FOUNDATION ENSURES THAT THE PRINCIPLE OF PROPORTIONALITY IS APPLIED ACROSS ALL ITS FUNDING PRACTICES AND THAT THE FOUNDATION DOES NOT PLACE AN UNDUE BURDEN ON APPLICANTS AND FUNDED ORGANISATIONS BY ASKING FOR INFORMATION WHICH CAN BE FOUND ELSEWHERE OR WON'T BE USED**

ACF has produced and made available both [grant fraud](#) and [safeguarding materials](#) which acknowledge the necessity of due diligence throughout the funding process. While it is necessary for foundations to reassure themselves that their resources are being used for the purpose agreed, this guidance also makes clear it needs to be proportionate.

A stronger foundation asks itself:

- ▶ Are our application and due diligence processes in keeping with our mission?
- ▶ Are the demands we are making for information (both at application and monitoring stages) proportionate to the funding and support we will provide?
- ▶ Are we getting the right information, and do we really need all the information we collect? Could we find it elsewhere, and can we reduce the need for the applicant to use its resources unnecessarily?
- ▶ Could we share the same information as other funders?
- ▶ Would some groups or communities face obstacles in meeting our demands? If so, what can we do to overcome that?

- ▶ Do we cover the costs for grantees associated with our monitoring and reporting processes?
- ▶ Do we facilitate honesty and reflection in our monitoring and reporting? Are those reporting willing and able to tell us if something does not go to plan?

A stronger foundation demonstrates empathy and flexibility with applicants and funded organisations, actively engages with them, listens to what they are saying and responds accordingly. The operating context for charities and others in civil society will vary widely, so being able to respond to requests for changes (such as to payment schedules, budgets, reporting dates, length of grant or objectives) is critical to supporting funded organisations through changes in their own context. This includes being mindful of the foundation sector's collective practices, how they contribute to organisation's core costs and enable organisations to build reserves in a way that does not leave the sector generally worse off and less able to thrive and survive in future.

A stronger foundation recognises the value in adapting to reflect the realities of the environment that charities are working in, which not only helps it achieve greater impact and effectiveness, but also builds trust and legitimacy in the foundation.

# 5 A STRONGER FOUNDATION REGULARLY REVIEWS FUNDING PRACTICES AS PART OF A CULTURE OF LEARNING AND THINKS COLLABORATIVELY TO ENHANCE ITS IMPACT

Funding practices are central to a foundation's impact and provide huge learning opportunities. A stronger foundation embraces this and is proactive in its efforts to learn from its practice, make improvements and share knowledge with others. Working collaboratively can create opportunities for mutual learning.

In ACF's report *Impact and Learning: The Pillars of Stronger Foundation Practice*, we set out how a culture of learning can be embedded across the foundation, and in our report *Transparency and Engagement: The Pillars of Stronger Foundation Practice*, we looked at the information requirements to ensure that learning happens. Funding practices can offer the most direct routes to gathering information, and the most honest and challenging lessons on which to act.

Many UK foundations have existed for decades or even centuries and have well-established processes that serve their purposes in distributing funds. But without asking questions and regularly reviewing practice, foundations can easily become complacent and fail to take heed of changing times, current needs and societal expectations.

A stronger foundation recognises that as society and the context in which it operates continually evolve, there will be improvements that can be made. It has systems in place to learn from its practices, acts upon the lessons and makes real changes as a result. This will often be part of a wider strategic review of how a foundation uses all its resources (see Pillar 4 of *Strategy and Governance: The Pillars of Stronger Foundation Practice*).

In order to learn, a stronger foundation understands its activities and impact by collecting and analysing relevant and useful data. However, the power dynamics that exist between funders and those seeking funding can make honest dialogue and hearing the voices of grantees, unsuccessful applicants and beneficiaries difficult. Previous Stronger Foundations reports on impact and learning and DEI have expanded on how foundations might address that issue, including by using external platforms and initiatives that can facilitate anonymous feedback.

Despite the challenges, a stronger foundation actively seeks to learn both from within and beyond the voluntary sector and from a wide range of sources (from its own stakeholders, other funders, academia, the private sector). There has been considerable research on the views of fundraisers about foundation practice,

in addition to the individual feedback that foundations receive as part of their own practices. For example, see the work of [nfpSynergy](#), [NPC](#) or the [Chartered Institute of Fundraising](#).

## ► FEEDBACK

Seeking feedback from external audiences on an ongoing basis is essential to avoid becoming detached from the reality and changing context of those the foundation supports.

It is important to understand the feedback process from the perspective of those whose feedback is sought. Not only are there power dynamics to consider that may prevent honest or critical feedback, some of which may lead organisations to doubt funders' ability or willingness to change, but there are practical issues in that time pressures and other demands may prevent engagement with foundations' requests. It is also important to understand that feedback is often sought on the foundation's terms – not the stakeholders' – and this hidden power to set the agenda can influence results. A stronger foundation is mindful and sympathetic to the position in which it places its stakeholders and develops its funding practices and processes with these limitations in mind.

External initiatives can facilitate anonymous feedback. Platforms such as GrantAdvisor UK, currently being piloted, could bring a great deal to the sector, but ultimately, long term relationships and ongoing conversations with external audiences should be the bedrock of a feedback framework.

Although feedback is likely to come from grantees and applicants, it is not the only source or format. Focus groups, surveys or interviews can be useful in informing periodic reviews of the foundation's funding practices. Where anonymous feedback is collected by a third party (and there are organisations which offer this service), respondents are more likely to be open and frank. Questioning processes through the eyes of external stakeholders is also not just about the process, it is as much about the behaviours of the foundation as it does this; being genuinely interested to hear views, however uncomfortable that can be, and being clear about how feedback will be used to inform action.

Seeking feedback should be a core component of the foundation's strategic development. This is particularly important to ensure that feedback on funding practices and processes is heard and acted on at all levels of the organisation, particularly board level, where barriers may be that the board

is risk averse or concerned about the foundation's reputation and unwilling to make changes or acknowledge negative feedback publicly.

## ▶ THINKING COLLABORATIVELY

In thinking collaboratively, a stronger foundation considers its effectiveness and added value alongside other funders and uses this understanding to strengthen its contribution. It is open to new collaborative opportunities and shares knowledge, information and practice with others to increase impact, including learning from failure. Individual foundations will make their own choices about when, whether and how to act in collaboration but will reach their decision on a case by case basis by being open to collaboration and thinking collaboratively.

Collaboration takes a number of forms, varying in their function and purpose. There are formal mechanisms such as shared processes, commissioning programmes and pooled funds, or less formal approaches such as sharing information, publishing data, and building relationships with other funders. Thinking collaboratively can also include joining foundation communities and networks,

taking part in sector initiatives, and jointly speaking as advocates of a group or issue. A stronger foundation recognises that thinking collaboratively is a mindset of partnership and openness, with a view to enhancing the collective impact, knowledge and legitimacy of the sector as a whole.

Foundations may also use their collective power to leverage others and align their policy, support of funding efforts, or catalyse other initiatives. They might want to influence the activity of government, business or public opinion. For example, in our Stronger Foundations report *Investment: The Pillars of Stronger Foundation Practice*, we explore the collective power of the foundation sector as investors in influencing corporate practices on environmental, social and governance issues.

When thinking collaboratively, relationships with others are key. Depending on the type of collaboration being pursued – whether informal or formal – a stronger foundation might ask itself:

- ▶ Who else is trying to solve this problem, or has worked on it previously?
- ▶ Is our intervention necessary, considering what else is out there?

- ▶ Where should we take the lead and where should we play a supporting role?
- ▶ What is the infrastructure that supports this collaboration?
- ▶ What happens when the funding ends?
- ▶ How do we build trust and shared understanding?

A stronger foundation also proactively explores the processes of others and asks where there might be opportunities to reduce duplication in the funding ecosystem. For example, questions might include:

- ▶ Could we accept applications or reports that have been submitted to other funders rather than ask for bespoke submissions? If not, do we make it clear why that is the case and open ourselves to challenge?
- ▶ Could we join up with other funders in some parts of our process, for example when promoting our programmes by taking part in 'meet the funder' sessions?
- ▶ Are we confident that our processes add value to the work of others, and don't unnecessarily divert resources away from vital work?

- ▶ Are there others already doing this work that are better placed to handle part or all of our processes or practices? Are there other organisations with expertise in what we're trying to achieve that could do so more effectively?
- ▶ Have we considered how different groups experience our processes and practices? For example, are there many funders in our area offering small grants to community-led groups, each requiring them to fill in bespoke forms?
- ▶ Are we seeking to achieve maximum impact through contribution, or do we require attribution? Are there more effective ways we could work even if they meant less attribution of impact to us?

By working with other foundations to answer these questions, the sector as a whole can increase its impact by allocating resources effectively, building trust and legitimacy, and demonstrating that it is accountable to those around it.

## ▶ PEER REVIEW

Engaging with other foundations allows peers to increase their effectiveness through mutual learning (see ACF's reports *Impact and Learning: The Pillars of Stronger Foundation Practice* and *Strategy and Governance: The Pillars of Stronger Foundation Practice*). One way to do this might be by exploring periodic peer reviews on aspects of the specific funding process or taking on learning partners to provide on-going external input over time. Other ways might include working with external organisations that bring funders together for honest and transparent discussions on areas of practice.

## ▶ DIGITAL ENGAGEMENT

Most foundations have a unique application process, based on their own criteria and staffing. One reason for this is the fact that each foundation in the UK is an independent registered charity, with its own trustee board, history, genesis, budget and remit, and therefore perhaps inevitable that they each have a distinct approach to funding. This is often a cause of frustration for fundraisers and applicants, who on average are more

likely to be unsuccessful with applications than successful, and use significant time applying for funding from funders that have similar remits

More foundations than ever are seeking to streamline their processes, particularly where they are able to work collaboratively with other funders with a shared remit. Some share systems with other foundations, or work with others behind a single 'front door' for applications. The Covid-19 crisis saw a fast growth in collaborative funding practices, with many funders sharing portals to ensure that applicants had fewer applications to complete than would otherwise have been the case.

A stronger foundation is open to new opportunities and technologies through which it can reach existing and new audiences. In some cases, digital may offer such a mechanism for enhanced communication and information sharing, faster and streamlined processes, building of online communities and engagement with certain groups for example. A stronger foundation uses digital and new technologies in a way that supports delivery of its mission, meets the needs of its stakeholders and is not exclusionary.

However, increased use of digital is not straightforward or desired by all. There are a range of problems resulting from

digital exclusion as well as practical issues around privacy and ownership of data. The use of digital is not an end in itself, and the impact of its use should be carefully considered. The extent to which a foundation may choose to use new technologies will depend on a thorough analysis of who the foundation is trying to reach and the best way in which to do that. A stronger foundation may decide that some forms of digital do not meet their needs or the needs of their stakeholders, but they will have considered them in designing their funding practices.

### 360Giving

Set up in 2015 by philanthropist Fran Perrin to help inform funding decisions, 360Giving helps funders to publish open data about their grants and empowers people to use this data to improve charitable giving. Participating funders publish their grants data openly, continually striving to update and improve their data for all who may need it. The availability of this data enables funders to shape their funding criteria, identify where there may be gaps, demonstrate impact and reach and inform the work of fundraisers.

# PART 2

## RAPPORTEUR'S REPORT OF THE FUNDING PRACTICES WORKING GROUP

*An Introduction by Chris Llewellyn,  
Chair of the Funding Practices  
working group*



It is appropriate that this report is the final one to emerge from the Stronger Foundations series. The primary way that the majority of ACF members fulfil their charitable purpose is through transferring resources to other organisations, so an examination of how this works in reality is crucial for any identification of excellent practice.

I have enjoyed chairing this working group and would like to thank all the group members and presenters for their engaged contributions and the ACF staff for their expert facilitation. The group was made up of a varied set of participants, this demonstrates the breath of the philanthropy sector and has contributed to a final result hopefully relevant to all the diverse parties.

Our work in the group has shown us the real value of foundations working together

on tricky problems. It has been fantastic to hear at group meetings examples of changes that participants have made in their own organisations as a result of our previous work. That Stronger Foundations will be in “permanent beta” is very positive as it will enable further collaboration and refinement of individual practices. There is still so much we can learn from each other.

The working group encountered a wide variety of different perspectives over the last two years, hearing about the good, the bad and the ugly of foundation operations. We have had many examples what has been done well and also examples of poor practice, including limited lines of communication with inaccessible funders. Two recurrent themes have been intentionality and proportionality. It is important that each individual foundation can examine its own operations and be sure that each decision and in particular each imposition it makes on an external organisation both helps fulfil the foundation’s own mission and does not impose undue obligations on the limited resources of others.

The reaction of many funders to the systemic shock of Covid-19 has illustrated just how quickly adaptations can be made in a crisis situation. I hope that our work will contribute to a toolkit for ensuring that foundations’ practices match up with their bravest ideals.

# MEETING 1

# INTRODUCTION

**The Funding Practices working group had its first meeting in February 2019. The group comprised members with a variety of approaches to funding, which was reflected in the wide range of issues raised; from macro level issues about using all foundation assets effectively and foundations' impact on the wider voluntary sector, to micro level issues around grant-making processes and finding suitable applicants.**

The question of what we mean by 'funding' inevitably arose early in the discussions. For many foundations, funding refers to grant-making, which forms the core of their operations and they seek to enhance its impact. For others, funding can refer to different mechanisms by which money is used to support its beneficiaries, for example through social investments or scholarships. Whatever the mechanism, funding can also encompass the support that goes alongside the financial offer, whether that is through capacity building support or access to peer networks. And funding available to grantees or investees sits within the foundation's overall budget, which it may use to pursue a wide range of activities that require resourcing, like advocacy, research, or strategic litigation. The introductory meeting highlighted the wide variety of foundation practice that the group had to explore.

A theme which emerged throughout the session was the importance of relationships: with grantees, with applicants, with beneficiaries and with other foundations. In recent years many foundations have been thinking about – and in some cases making significant changes to – their grant-making processes so that they are based on building trust and developing relationships with grantees. Similarly, we often hear conversations about the importance of collaboration between foundations and what it can achieve. However, working in different ways has implications for the allocation of foundation resources and can entail some fundamental changes to a foundation's overall approach and structure.

The group aired a number of knotty questions covering divergent board and staff views, accessing a wider applicant base, giving and receiving feedback, and ensuring foundations and their funding practices are fit for the future.

There was also an early recognition of the theme of power, which has emerged as a cross-cutting theme across all the working groups. In this case, the group wanted to probe the power dynamics that exist between foundations and those seeking foundation funds.

Priorities for future meetings were identified across varied topics. These included a desire to explore relationships, purpose, mission, collaboration, reach, and some of the processes involved in funding.

# MEETING 2

# ARE GRANTS THE PAST OR THE FUTURE?

Grants form the bedrock of many foundations' work, but the group wanted to take a bigger picture view and ask whether this is right, what the alternatives might be, and if grants are to continue playing a central role, how they can be most effective.

To kick off, the group plotted the range of tools being used in their own organisations, from different types of grants to other financial models to campaigning. The results showed that restricted and unrestricted grants, grants for advocacy, and funder plus were the most commonly deployed tools. Others, such as loans, prizes and crowdfunding, had been considered and used in some cases, but only by a few. In the subsequent discussion, the group discussed how funding decisions were often led by need, and some observed a limited demand among applicant organisations for non-grant financial support.

Provocations from external speakers sparked a lively discussion. (See box on page 31). Reflections included: how well foundations meet need and demand; what else foundations can offer beyond grants; the uniqueness that grants present in comparison to some other tools; and the need to deploy resources for maximum impact, regardless of the tools used.

Appetite for risk was also considered in depth. Some foundation boards might set targets for how many of their projects are deemed to have 'failed' in order to ensure the foundation is using its unique ability to take risks to best effect. It could be said that grants are risky in that they guarantee loss of capital, whereas other funding mechanisms offer at least a chance of returns. While other mechanisms won't always be appropriate, having them in the arsenal for when they are appropriate could offer more ways for the foundation to use its resources and agility to best effect.

**SOME FOUNDATION BOARDS MIGHT SET TARGETS FOR HOW MANY OF THEIR PROJECTS ARE DEEMED TO HAVE 'FAILED' IN ORDER TO ENSURE THE FOUNDATION IS USING ITS UNIQUE ABILITY TO TAKE RISKS TO BEST EFFECT**

Amy Solder from Nesta and Alice Millest from the European Venture Philanthropy Association (EVPA) joined the second meeting of the working group which looked at the question 'are grants the future or the past?'



Working group members discussing the presentations

# MEETING 2

The group then debated two propositions: one side argued that grants have had their day, and the other that grants still have a key role to play. It was broadly agreed that there is still a place for grants, although whether they are always the best solution was hotly contended. Key issues the group considered were: the ability and desire of organisations to take on alternative models of finance; the need for capacity building and non-financial support; and whether philanthropic funding had a unique role to play in filling gaps or leveraging other types of support.

Whatever the foundation's approach, the needs, sustainability and resilience of the organisations being funded was fundamental to making those decisions. Thinking of the different funding mechanisms as forming an ecosystem (or jigsaw) was helpful for individual foundations to recognise their role and added value.

**WHATEVER THE FOUNDATION'S APPROACH, THE NEEDS, SUSTAINABILITY AND RESILIENCE OF THE ORGANISATIONS BEING FUNDED WAS FUNDAMENTAL TO MAKING THOSE DECISIONS**

Based on lessons from Nesta's recent report *Funding innovation: a practical guide*, Amy Solder, Interim Head of New Operating Models at Nesta, summarised the range of funding tools that characterise the funding landscape. Amy also talked through Nesta's approach to funding, which provided insight into how foundations might consider risk and the impact of their funding. It was observed that often funders stick to well-trodden paths as it's comfortable and they have more experience of traditional methods. Funders may choose one or two ways of delivering funding without considering the full spectrum of options, from those with no financial return (but potentially high impact returns), to those with a financial return. Amy illustrated the wide array of options using Nesta's research, which identified 17 mechanisms in use in the funding landscape. As well as suiting the various needs of applicants, Amy pointed out that using an array of tools can help funders manage risk across their portfolios, as well as strengthening those they fund with non-financial contributions alongside funding support.

Alice complemented this by talking about the opportunities presented by venture philanthropy, and how methods

used in the technology development field could be applicable to how funders develop their own programmes and projects. Venture philanthropy has three elements: tailored financing, organisational support, and impact measurement and management. Many foundations will do some or all of these elements already, though may not think of it in these terms.

Alice also addressed the issue of risk; there are risks involved in venture philanthropy in order to bring about greater returns (social and financial), but grant-making is not without its own risks, not least that there is no financial return at all. Alice drew on lessons from the world of technology, for example its fast pace of development and its iterative processes, that can inform funding practices.

Alice posed the question of whether grants are always the most effective way to achieve impact. While grant funding serves an important purpose, funders can explore where its funding might not need to be given as a grant in order to preserve some of that valuable grant capital.

# MEETING 3

# RELATIONAL FUNDING

The Funding Practices working group met to consider the topic of 'relational funding'.

A term increasingly being use in the sector, although not much expanded on or defined in the literature, the group wanted to explore this concept through questions like: what does it look like? How do we define it? Does it exist and for whose benefit? Do grantees want it? Can there really be equal relationships given the inherent power imbalance? How are applicants and grant recipients affected by it? Are there scenarios in which it may or may not work?

To start the meeting the group considered its various interpretations of relational funding. Although no clear definition emerged, some common themes arose out of the discussion: the importance of trust, listening, a willingness to acknowledge that we don't always know best, interdependency, being flexible, understanding needs, open communication, and 'hand shake' not 'hand out'.

The group was delighted to be hosted by Beth Murray, a Winston Churchill Memorial Trust Fellow who drew on her research on lessons for charities from high performing companies to discuss engagement with the group (see below).

The group carried out an exercise to consider 'relational' or 'user-centred' funding from the perspective of both the funder and funded organisation. Identifying the 'user' was a challenge for some – whether this referred to applicant, grantee, end beneficiary, or other stakeholders, and where the funded work wasn't for the benefit of a specific user, for example in policy and advocacy.

While there are advantages to an approach that centralises trust, learning, honesty and openness, foundations must be mindful of the burden that can place on grantees, especially where 'learning' is an intensive process that might result in something being considered a failure, and indeed whether it meets the needs of grantees who may have more support from funders than they are able to make use of. Therefore, there is a need for foundations to consider the impact of their approach on others, including the importance of managing the relationship up to its conclusion.

**THERE IS A NEED FOR FOUNDATIONS TO CONSIDER THE IMPACT OF THEIR APPROACH ON OTHERS, INCLUDING THE IMPORTANCE OF MANAGING THE RELATIONSHIP UP TO ITS CONCLUSION**

# MEETING 3

The group discussed a spectrum of 'relational funding' depending on the foundation and how it funds. Funders that might characterise their approach as relational may mean different things by it, which serves to enrich the ecosystem but also risks causing confusion to grantees about what support they can access. The

group tried to identify any core tenets that could be considered best practice across any relational funding approach, for example unrestricted funding, offering feedback, or demonstrating trust through the processes.

**FUNDERS THAT MIGHT CHARACTERISE THEIR APPROACH AS RELATIONAL MAY MEAN DIFFERENT THINGS BY IT, WHICH SERVES TO ENRICH THE ECOSYSTEM BUT ALSO RISKS CAUSING CONFUSION TO GRANTEES ABOUT WHAT SUPPORT THEY CAN ACCESS**

Beth Murray, our expert speaker who has written extensively about big tech companies' concepts of relationships, highlighted that understanding and meeting the needs of users is critical to tech companies' continuing success. Beth talked about the research which she undertook into the characteristics and behaviours of high-performing tech companies (and how these might be relevant to charities/ funders), which was funded by the Winston Churchill Memorial Trust.

Beth's research highlighted the importance of understanding the foundation's audience or users and being able to predict needs as a result of that understanding. Asking questions about their needs, preferences, relationships and challenges enable companies to design products and services that are relevant and useable, and meet those needs. Beth went on to highlight the key attributes of a user-centred company and what this might mean for foundation practice.

These are companies that are:

- ▶ Open, and don't see failure as a problem
- ▶ Clear in their mission
- ▶ Frictionless, in the sense that staff are supported to meet their objectives
- ▶ Talent-focussed
- ▶ Continuously improving
- ▶ Iterate, testing products as they and making improvements
- ▶ Building in partnership
- ▶ Channel agnostic

These lessons are directly applicable to charitable funders, who might consider how they enable staff to achieve impact, how they decide on the most appropriate support, and how they learn and improve their practices.

# MEETING 4

# DIGITAL

**The Funding Practices working group met for the fourth time to discuss the topic of 'digital'. The group wanted to explore if and how foundations could be using digital more to achieve their mission.**



Working group chair Chris Llewellyn shares his thoughts

The group reflected on questions such as: are foundations making best use of digital, in its widest possible sense, to interact with stakeholders and increase the impact of funding? If not, how can we use it better? What are the merits and limitations of using digital more widely in our funding practices? Is 'digital' the silver bullet?

To kick off the meeting, the group spent some time thinking about what 'digital' means to them, how they use digital currently and what the potential issues are. Current uses included communications, engagement, processes, fundraising, and convening. But challenges were identified too; there are questions of privacy in handling data, and digital offers aren't always accessible to those with additional needs or in areas with poor connectivity.

The external contribution to this meeting came from Duncan Parker from Crowdfunder who presented to the group on how the platform works, and its potential as a digital tool for bringing funders and projects or social enterprises together. Crowdfunder enables groups or individuals to raise money and support for causes and projects from communities (including organisations) that care, connecting projects with funding in a way that does not need the involvement of a charity or foundation. The platform eliminates burdensome application processes by asking fund-seekers to fill in a single form that could unlock a wide range of funding opportunities.

The presentation generated discussion on how platforms such as Crowdfunder can support funders in reaching out to their communities of interest. Small community groups for example might prefer a single point of access to a range of funders on one platform, requiring them to register, complete one form and letting the platform do the matchmaking.

The group analysed the merits and risks of the platform and other digital tools. As well as questions about how impact is measured and evaluated, the group discussed issues or causes that were less

suited to fundraising methods that rely on public engagement, and highlighted that foundation grants will always have a role to play in supporting unpopular causes.

The discussion broadened from looking at digital tools to considering the various uses of digital means to interact with stakeholders, increase impact, reach diverse actors and carry out policy and advocacy work. These included the use of videos in application and monitoring processes, virtual meetings, real time information, and ways to collect and analyse data to inform practices and decision-making.

The overall conclusion of the group was that digital is a means to an end, not an end in itself, and that the impacts of its use should always be considered from the perspective of the foundation's causes and communities of interest. It can be a powerful tool in the foundation's toolbox offering opportunities for enhanced transparency, engagement, evidence gathering and efficiency amongst others, providing it is not exclusionary and the impact of its use on applicants and funded organisations is considered carefully.

# MEETING 5

# THE GRANTEE PERSPECTIVE

**The working group's fifth meeting considered the perspective of the grant recipient, and the inherent power dynamics in the relationships between foundations and grantees. The group were joined by Warren Carter who leads Moulsecomb Forest Garden, a grassroots community organisation, and Nick Perks, an independent consultant who has been instrumental in launching a pilot of the review platform GrantAdvisor in the UK.**

The presentations generated debate around how funders can enable and encourage feedback from grantees. Warren's criticisms resonated with the group, who felt that foundations ought to question their own processes and the requirements they place on applicants. Members argued that requirements should be stripped back and made proportional to the funding on offer. Others suggested that the sector could collaborate to develop common principles and standardise grant reporting, and there are a number of existing initiatives that aim to support this.

Warren described the unsustainability of the charity sector as he saw it, where small organisations like his spend significant amounts of time and resources in trying to generate income. He argued that monitoring and reporting processes need to be simplified as foundations place too many demands on funding recipients. He posed that foundations should aim to build long-term relationships with grantees and urged foundations to consider different levels of literacy and the increasing demand for services that charities are faced with. He sees the funder relationship as one-sided in that foundations often fail to put in an equal amount of time towards being accessible, offering feedback or visiting applicants. His suggestions for change included clarity in guidelines, generic grant applications, and reducing bureaucracy by only requesting information that is genuinely used and useful.

Nick presented the work to pilot GrantAdvisor in the UK. GrantAdvisor

is an online service which allows grantees to leave public, anonymous feedback for funders as well as advice for future applicants. It aims to create greater transparency and address the power dynamics that can shape some of foundations' typical mechanisms for obtaining feedback. It also facilitates a dialogue as funders can respond to the feedback they receive.

Setting out what both sides want from the process of grant-making, Nick focused on how that relationship currently works, where foundations are able to set the agenda, regardless of the efforts they make to share power. Nick proposed that GrantAdvisor offers a third party that can work across this relationship by standardising and benchmarking feedback. It empowers grantees by giving them anonymity and immediate recourse to public information. Nick concluded by drawing key themes from his learning so far, one of which was the importance of communication in relationships.

# MEETING 5

For the funder relationship to be more equal, the group agreed that foundations should be transparent about their own processes. It was felt that funders should be honest about what they can and cannot fund, and more open with the feedback they give to grantees in order to encourage honest feedback in return. Other members stressed that foundations need to be ready to listen to the feedback they ask for, even if it is difficult to hear.

It was argued that funders should do more to be visible and accessible to their grantees. This could mean actively seeking feedback at different points of the funding process and through different avenues. It could also mean signposting available methods of communication and assigning a named person for the grantee to contact. Frequent, ongoing communication can help to build trust

and a longer-term relationship, which can encourage more honest feedback. While reflecting on the session, some members shared that they will be looking to clarify the language used by their foundation to make guidance more accessible.

**IT WAS FELT THAT FUNDERS SHOULD BE HONEST ABOUT WHAT THEY CAN AND CANNOT FUND, AND MORE OPEN WITH THE FEEDBACK THEY GIVE TO GRANTEEES IN ORDER TO ENCOURAGE HONEST FEEDBACK IN RETURN**

# MEETING 6

## APPLYING A DIVERSITY, EQUITY AND INCLUSION LENS



The group sharing their experiences

The working group met to consider how foundations can apply a lens of diversity, equity and inclusion (DEI) to their funding practices. To stimulate discussions, we welcomed Cleveland Henry and Kate Hainsworth from Leeds Community Foundation as speakers. Leeds Community Foundation is a member of the [DEI Coalition](#) and came along to share its approach to DEI in its work.

Leeds Community Foundation's approach has taken into account the local context and community it exists to serve, where there are significant inequalities across different demographics.

Using ACF's pillars of stronger foundation practice in diversity, equity and inclusion as a framework, Cleveland shared his experience as a trustee of Leeds Community Foundation and the journey they are on to embed DEI across their funding practices. Actions have included designating a 'trustee champion', collecting and analysing data on applicants, reviewing and amending recruitment processes, and publicly stating their commitment to being diverse, equitable and inclusive.

Kate gave details of how this has worked in practice, both in addressing DEI internally and externally. Kate emphasised that it is a journey and they are learning lessons about what works and where improvements are needed, which isn't always comfortable but is essential to bring about real change to the way the foundation works.

The group followed up with questions on staffing, recruitment and the board. This was seen to be a key area where foundations could make changes, but it was often complex. The group also reflected on their own foundations and in particular their relationships with the communities they serve. It was commented that a good and granular understanding of where applicants are coming from can help foundations listen and invest strategically, but developing that understanding and relationship takes time. There was also a discussion about the importance of going beyond 'visualising' diversity and internalising it as an organisation – in all its forms.

**A GOOD AND GRANULAR UNDERSTANDING OF WHERE APPLICANTS ARE COMING FROM CAN HELP FOUNDATIONS LISTEN AND INVEST STRATEGICALLY, BUT DEVELOPING THAT UNDERSTANDING AND RELATIONSHIP TAKES TIME**

# MEETING 6

Following the discussion, the group broke into pairs to consider from the perspective of their organisation:

1. Who are our 'communities' and how can we meet their needs through our funding practices?
2. What might we need to change about current practice?
3. What are the barriers to change and how might we address them?

The group discussed steps that they had already taken and identified areas where more work needed to be done. Bringing in people with lived experience on decision panels, taking more risks and reviewing application processes were among existing practice and the group discussed the nuances of undertaking different approaches. For example, simplifying application processes by using online portals can be more open to some groups, but others may have issues with connectivity or accessibility. Flexibility was highlighted as an important factor in applying a DEI lens across funding practices.

For the final part of the meeting, the group reflected on themes that had emerged in previous meetings. It noted how its exploration of 'funding practices' had been broad and expansive, ranging from values to mechanisms to behaviours. It also identified any power imbalance between foundations and funded organisations as a fundamental issue and at the heart of discussions on DEI. Flexibility and intentionality again emerged as guiding principles by which foundations should carry out their work.

**FLEXIBILITY AND INTENTIONALITY AGAIN EMERGED AS GUIDING PRINCIPLES BY WHICH FOUNDATIONS SHOULD CARRY OUT THEIR WORK**

# MEETING 7

## COLLABORATION AND LEVERAGE



The group sharing their reflections on what collaboration and leverage mean to them

**The working group met for its final meeting at the offices of Community Foundation Tyne and Wear and Northumberland (CFTWN) in Newcastle. The topic for consideration was ‘collaboration and leverage’ and we were delighted to be joined by Adam Lopardo, Director of External Affairs at CFTWN.**

As an introductory exercise, the group considered the experiences of collaboration in their own foundation. The role of leadership was felt to be key. The more stakeholders involved in collaborative efforts, the more difficult it can be to make decisions, and there has to be trust and understanding in how power sits within the group, as well as of the needs and priorities of other stakeholders.

Adam presented to the group and talked through the journey which CFTWN has been on over the last five years in terms of its collaborations in the region. In a shift away from relationships being primarily contractual, the focus of Adam’s role was to facilitate more funder collaboration and investment, and increased sector support on governance and business planning. This was against the backdrop of major changes in the North East’s funding ecosystem following the closure of Northern Rock Foundation, the region’s biggest funder, in 2014.

CFTWN became the eyes and ears of funders not based in the region. CFTWN spent a lot of time reaching out beyond the region and joined ACF as a result, which gave access to a greater number of potential collaborators.

Adam discussed findings from the Third Sector Trends research programme that most recently published *The Strength of Weak Ties*. Third Sector Trends is CFTWN’s annual study providing a snapshot of the scale, dynamics and needs of the voluntary, community and social enterprise sector in North East England. The report looked at whether collaboration was indeed occurring more often in the region, and how foundations could work most strategically and effectiveness. It found that there was little desire for formal collaborations that pooled funding, as the disadvantages would outweigh the benefits, but that funders maintaining close informal relationships was worthwhile.

# MEETING 7

The group reflected on the journey that CFTWN had been on and how, through experience and learning from mistakes, it had come to a clear understanding of its role, where it adds value and a recognition that humility is important, as is stepping back when you're not the right organisation to deliver.

The group felt that there is more appetite for collaboration now than in the past but that this might take a number of forms and is not necessarily formal collaboration. They considered whether there is an inverse relationship between willingness to collaborate and a thirst for attribution, recognising that for fundraising foundations it is important to be able to demonstrate impact.

A long discussion of the success and challenges of collaboration revealed a number of issues. Some commented on experiences they'd had of successful collaborations where all those involved knew each other and the subject matter well, and there had been a clear lead. Successful collaboration was said to evolve from alignment of perspectives, quick decision-making and a willingness to cede control to the lead partner and for them to feel empowered to take the initiative. Flexibility, autonomy and communications were key elements too.

The resourcing of collaboration was noted as a challenge; it can take a long time to work and requires sustained effort, which has implications for time, capacity and funds. Useful questions to ask when considering whether to pursue a collaboration were around whether all were trying to solve the same problem, the role everyone wanted to play, and whether there was trust, shared values and a shared theory of change.

**THE GROUP FELT THAT THERE IS MORE APPETITE FOR COLLABORATION NOW THAN IN THE PAST BUT THAT THIS MIGHT TAKE A NUMBER OF FORMS AND IS NOT NECESSARILY FORMAL COLLABORATION**