



Making the case for unrestricted funding

Ben Cairns

Photo credit: Bangladeshi Women's Association
and The Co-op Foundation

IVAR we listen, and
learn together

Introduction to Open and Trusting Grant- making

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*Time for a simpler,
more respectful,
and more inclusive
philanthropy.*

The eight commitments

1. Don't waste time

2. Ask relevant questions

3. Accept risk

4. Act with urgency



5. Be open

6. Enable flexibility

7. Communicate with purpose

8. Be proportionate

An approach that is characterised by patience, empathy and kindness.

Commitment 6



Enable flexibility

We will give unrestricted funding;
if we can't (or are a specialist funder),
we will make our funding as flexible
as possible.

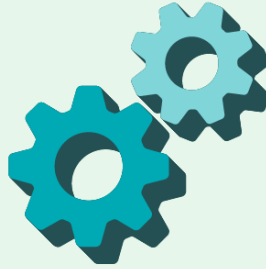
**Open and
Trusting:
The charity
experience**



1,200 responses to The Open and Trusting Funding Experience Survey in autumn 2022 told us that....



Charities understand funder constraints and challenges



'How we do things' really matters



Charities know what would make a difference

What does open and trusting funding feel like?



Dialogue
Grown-up
Freedom
Adapt
Less pressure
Supported
Empowered
Belief

Transparent
Valued
Honesty
Confidence

Reduce stress
Adult
Respected
Less worry

Get the basics right

10 actions to improve charities' funding experience

1



Offer charities the chance to ask questions before they make an application

2



Have a two-stage application process

3



Be clear about success rates at each stage of your process

4



Don't ask for detailed information until a charity has a good chance of funding

5



Give meaningful feedback to charities whose applications are turned down

6



Give multi-year funding

7



Allow grantees to adapt and change project plans and budgets if needed

8



Give unrestricted funding

9



Only ask for information that you need and will use

10



Allow grantees to use existing reports (e.g. to other funders, annual reports etc.)



*Making
better use of
everyone's
precious
time.*



Photo credit: Friends
Provident Foundation



We need funders to say, “We know you will use it for what is needed, and you are doing a good job”, without the restrictive conditions attached. Show us you trust us.

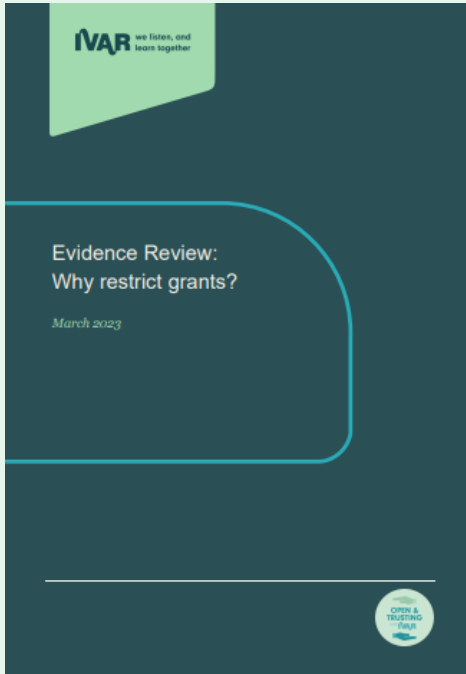
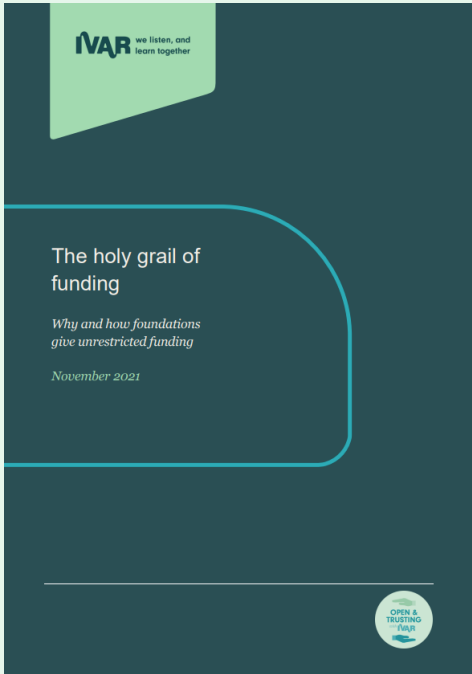
Evidence review: Why restrict grants?





Unrestricted funding is the single most powerful thing that funders can do to support charities. It enables us to be agile and decisive in dealing with the ever-changing demands of the current uncertainty, while planning as best we can for whatever the future holds.

IVAR research on unrestricted funding



Definitions

- **Restricted funding:** **These are funds that can only be used for the purpose specified by the donor.** The donor can declare the restrictions when making the gift or they can result from the terms of a charity's appeal for funds. In the UK, restricted funding carries the weight of trust law, placing a binding legal obligation on charity trustees to spend funds per the restriction. **Restrictions can take many forms but they typically include specifying activities, budgets, outputs, outcomes, and reporting requirements.**
- **Unrestricted funding:** These are funds that can be spent or applied at the discretion of the trustees of a charitable organisation to further their charitable purposes and mission. **These funds do not come with conditions on how the organisation should spend them.** Other terms sometimes used to describe unrestricted funding, especially in international contexts, include 'flexible funding' and 'general operating support'.

Evidence Review: Rationales for restricted funding

Funders exert ‘enlightened strategic control’

Funders are best positioned to take a holistic perspective, determine effective strategies and allocate resources to the highest impact activities.

Underpinned by an assumption that funded organisations are less effective at allocating resources to those activities likely to produce the best outcomes.

Lawful compliance with a funder’s objects

Funders still have freedom to choose a ‘light touch’ approach to any restriction required by their objects, in line with relevant legal and regulatory guidance.

Evidence Review: Rationales for restricted funding

Strengthens accountability

- Formalises the funder's interests, eg. cost controls, timescales, performance measurements, outcome indicators and reporting requirements)
- Prevents wasteful use of resources, exerting a form of financial discipline over organisations
- Better able to evaluate impact, eg. by imposing specific reporting requirements, funders encourage funded organisations to develop outcome measurement practices

Evidence Review: Rationales for unrestricted funding

- **Funding organisations make better strategic choices**
 - Gives them the time, resources and freedom to engage in strategic planning
 - Creates the space for them to engage people directly affected by their work
 - Helps them work to more strategically and implement their plans
- **Promotes creativity and innovation**, through investment in research and development
- **Enhances adaptability**: freedom to respond to changing circumstances, including unexpected events, emergencies or crises

Evidence Review: Rationales for unrestricted funding

- **Supports collaboration:** more willing to share ideas and outcomes with peers
- **Strengthens funded organisations**
 - Better organisational infrastructure
 - Improves financial health
 - Improves management of human resources
- **Creates more trusting relationships**
- **Reduces the cost of fundraising and grant management**



Key finding of the Evidence Review

Restricted funding has not earned its place as the dominant funding model. The evidence review makes it clear that funders' preference for restricted funding 'because it delivers' rests on familiarity, not on evidence.'



Key finding of the Evidence Review

The argument that unrestricted funding supports stronger organisations stands on a firm footing.'

Overcoming barriers and objections



Is unrestricted funding cost-effective?

If funders continue to prioritise project funding, organisations continue to spend their time chasing around from funder to funder, dressing up their core as a bright new project idea. How can we justify, as funders, pushing organisations to create projects that they don't necessarily need to do, when it is their base work that is most important to those they are seeking to support? This is a problem of funders' creation.

Tim Cutts, Allen Lane Foundation

Does how we fund help us tackle challenges around equity and power in our funding relationships?

We are genuinely trying to find a way to get alongside small organisations and be helpful. A perennial question along that journey is about how we get honesty from the organisations we fund. We have learned that being honest with them is a start. And unrestricted funding is a key part of that, because it is expressing faith in people. You can't overestimate its importance.

Paul Streets, Lloyds Bank Foundation for England and Wales

What is the risk to us in giving funded organisations more control of their spending?

I do think at the heart of it is still the old-fashioned idea that voluntary equals amateur and that 'we know better.' Unless you start from the premise that people running charities are every bit as intelligent and capable as someone running a business of the same turnover, and have simply made a choice to put that intelligence in service to their values, you will never be approaching them from a place of respect or truly listening to what they are saying.

Amy Braier, Pears Foundation

What is the risk to us in giving funded organisations more control of their spending?

We have moved away from the idea that we are accountable for the performance of grantees. The Board do believe that the risk in an individual charity needs to be managed by its board locally. Staff are accountable to their trustees, not to us. Restricted funding undermines this. Instead of being accountable to the people you want them to be, they have to focus on delivering against grant terms and contracts.

Paul Streets, Lloyds Bank Foundation for England and Wales

Does the way we think about impact call for greater control over how funds are spent?

There is a danger of making everything too complex and more precise than it can or needs to be. It's fine to be interested in stats – but about an organisation overall not in relation to your own grant. If you want refugees to have a safe and stable life and you've found a good, robust organisation that helps them make meaningful positive steps towards that, isn't it enough to say that your money is going to support this work?

Hannah Hoare, Blue Thread

Advice from Open and Trusting funders

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Have confidence in the skills and expertise of the organisations you have chosen to fund – and your skills in choosing them

Trustees' fundamental belief is in valuing the expertise of people doing the funded work. Then the question for us is 'how do we help them to do what they do and do it better'.

Philippa Charles, Garfield Weston Foundation

We are not the experts or doing the work on the ground. Our role in the world is to give you money to do what you are good at – this is how we achieve our aims.

Hannah Hoare, Blue Thread

Turn questions about risk on their head

We start with a recognition that we have more power and more resources and should carry more risk ourselves. So, investing through unrestricted funding is an expression of a sense of responsibility we feel for the organisation's wellbeing, and a belief that risk is better assessed and managed through relationships of trust and respect, rather than through restrictions.

Amy Braier, Pears Foundation

Recognise that you won't get everything right first time

It's like the saying goes, start by doing well, then do better, then do better things, and then do those things better. You've got to be willing to go out of your depth.

Rennie Fritchie, former Chair, Lloyds Bank Foundation for England and Wales

This conversation matters – be part of it

Stopping and looking at the issue properly – and sharing our thinking in public – surfaced objections and helped us sort out what were real and what we were creating ourselves.

Gina Crane, Esmée Fairbairn Foundation

The benefits of unrestricted funding



Definitions



Unrestricted funding to describe no strings funding that funded organisations can use for anything within their charitable objects.



Core funding to mean grants restricted to either a specific element of overheads (for example, rental costs or the director's salary) or available to be used for essential running costs more broadly.



Project funding to mean grants restricted to the delivery of a specific project or defined set of activities, often (but not always) including a percentage contribution towards general running costs.

Making the case for unrestricted funding

Charities understand what's needed

'It means the relationship feels respectful, equal, stable and empowering – enabling us to get on with the vital work we do.'

A stronger voice for stakeholders

The Evidence Review suggests that charities can experience *restricted* funding as reinforcing an unhelpful power dynamic that **privileges funders' concerns over those of other stakeholders.**

Agility and adaptability enable effective action

'Unrestricted funding gives our partners the freedom to be outcomes-focused and community-led. They can do their best in the best way; it enables them to plan and allows them the discretion to stop what is not working and adapt to new realities.'

Making the case: Five core arguments for unrestricted funding

Stronger organisations do better work. There is good evidence that it:

- 1 Improves their strategic planning and helps them to implement their plans, leading to **improved performance and delivery against objectives.**
- 2 Enables them to **invest in management and administration** and to make their own judgements about priorities in these areas.
- 3 Helps them **cope with fluctuations in project income**, practise strategic reserves management and become more financially stable.
- 4 Gives them **more scope to use their staff and volunteers efficiently**, to manage them well and invest in their development.
- 5 Reduces the costs of funder compliance and **allows them to focus on more meaningful data collection and reporting.**

Discussion and reflection

The image features a dark teal background. On the left, there is a light green rounded rectangular shape. The text 'Discussion and reflection' is written in a bold, dark teal font within this shape. To the right of the light green shape, there are two thick, light blue lines that curve and extend horizontally across the frame. The top line starts from the right edge of the light green shape and curves downwards before extending horizontally. The bottom line starts from the bottom edge of the light green shape and curves downwards more sharply before extending horizontally.

Open and Trusting publications

- <https://www.ivar.org.uk/publication/the-holy-grail-of-funding/>
- <https://www.ivar.org.uk/publication/evidence-review-why-restrict-grants/>
- <https://www.ivar.org.uk/publication/making-the-case-for-unrestricted-funding/>
- <https://www.ivar.org.uk/publication/open-and-trusting-reporting/>
- <https://www.ivar.org.uk/publication/charities-in-the-driving-seat/>



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