

Why risk in grant-making matters

4 November 2025

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IVAR we listen, and
learn together

Photo credit: SELFA



For two thirds of funders,
**less than 2% of grants are
considered risky***

*Based on 30 funders who used IVAR's risk tool between May and October 2025

Open and Trusting commitment 3: Accept risk

We will accept our share of risk – we will be realistic about how much assurance applicants can reasonably give us; we will clearly explain how we assess risk when we make our funding decisions.

2019/2020

Thinking
about... risk:
Developing a
framework

2020

Open &
Trusting
Commitment 3:
Accept Risk

2024

Accepting risk
in funding
practice

2025

Risk tool

Six key observations

1. Risk events are highly variable
2. Risk is relative not absolute
3. Risks can lead to reward
4. For funders, risk culture is a matter of choice
5. Risk management is a matter of practice
6. Risk cannot be avoided

Four distinct types of risk to funders

Financial
risk

Reputational
risk

Governance
risk

Impact risk

Risk concepts are not native to the voluntary sector

‘Risk models were not invented to help philanthropy advance their work. They were created for businesses most intent on protecting their profit margins and financial standing. This doesn’t mean you shouldn’t think about the risks involved ... but don’t import risk models and jargon from industries that are not in the business of providing for the public good.’
(Fair, 2021)

The importance of a shared understanding of risk in grant-making

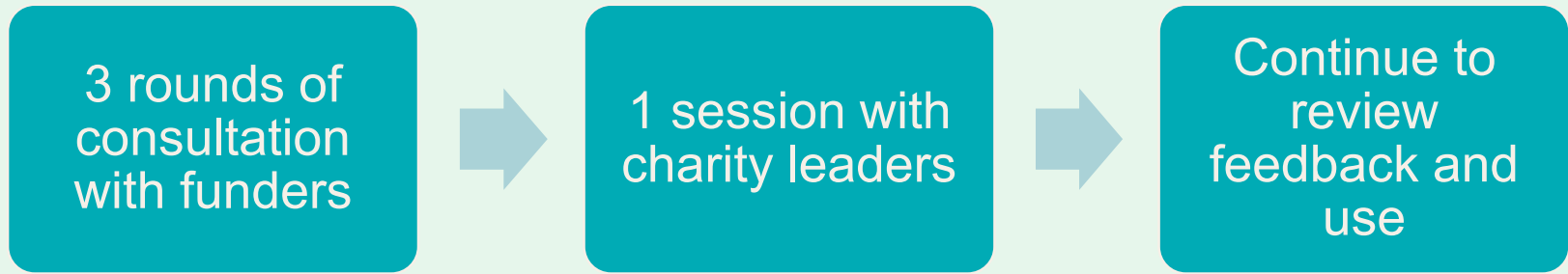
‘In the current climate where lots of organisations are facing financial risk, maybe we can be more open to helping them through the risks or shouldering the burden. If we can make our approach to risk more explicit it would help us to do that.’

‘When we look at the actual risks we take and we look at our portfolio, because we haven’t made our risk appetite or approach explicit, we’re not taking the risks we think we’re willing and ready to take. We have a good shared understanding of risk, but that is not necessarily leading through to taking risk’.

Risk tool

A tool to review
your organisation's
attitude to risk

How we developed the tool



Purpose

1. To help funders better understand their attitudes to risk in grant-making and if/how their practice is aligned
2. To provide a tool that is easy to use and prompts discussions about risk
3. To collect data on how the tool is used and how risk is viewed

A tool for your organisation

How to score your risk attitude



- Scores are for internal use
- Scores are for comparison over time, not with other funders

Structure of the tool

- Background information
- Are you having conversations about risk? Do you have a working definition?



1. Defining risk

Risk is the likelihood that an event will occur that will cause some type of undesirable effect.
(The Commons, 2017)

1.1 Have you had any active discussions about risk in grant-making within your trust or foundation over the last 12 months? If so, what have these centred on?

Type your answer here...

Four distinct types of risk in grant-making

Financial
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Impact risk

Four distinct types of risk to funders

**Financial
risk**

Financial track record

Financial management

Four distinct types of risk to funders

Reputational
risk

Four distinct types of risk to funders

**Governance
risk**

Governance and operational risks

Safeguarding risks for grantholders

Safeguarding risks for funders

Four distinct types of risk to funders

Attitude to innovation

Expertise

Certainty and clarity of outcome

Data

Impact
risk

Structure of the tool

Four types of risk:

What is your attitude to this risk?

How does this translate into your grant-making strategy and practices?

How does your attitude align with your practice?

2.1 Financial track record *

On a scale of 1 to 10, and taking into account the below statements, what would you rate your organisations attitude to risk?



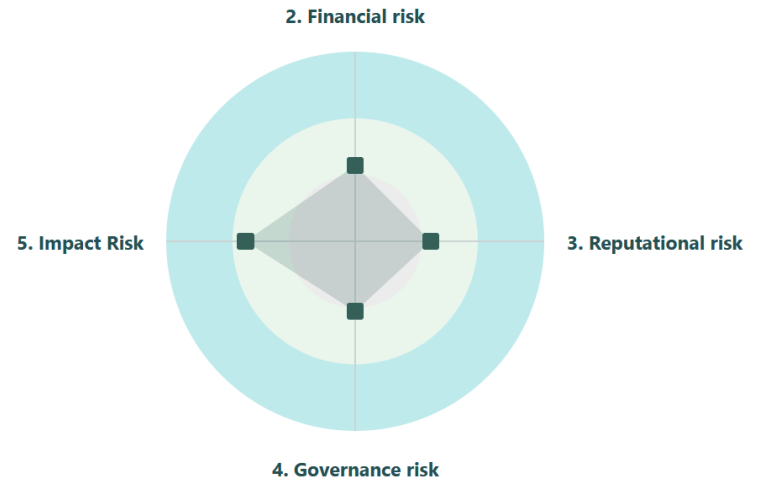
We require grantees to be financially stable and to provide the highest level of assurance around their financial prospects for the duration of our grant and beyond

We are comfortable with being a 'first funder' or supporting organisations with an unproven or insecure funding base

Structure of the tool

- Data on risk
- Communication about risk
- Summary
- Next steps

Snapshot of risk attitudes



Summary

Lower risk attitude

Moderate risk attitude

Higher risk attitude

Scores across the dimensions of risk:

2. Financial risk

Average score: 6.0

2.1 Financial track record

5

Aligned

2.4 Financial management

7

Not aligned

3. Reputational risk

Average score: 3.0

3.1 Reputational risk

3

Unclear

How we are storing and using the data

- Personal information is stored separately from risk data
- An option to consent to share your data with IVAR for use in our research
- The option to permanently delete your data from the tool at any time

Risk tool

Some early insights

Funders are talking about risk

“We decided to stick with [a grantee] and help them improve - recognising we were taking on risk doing so.”

Many are shifting from outcomes to learning

“If things don't work out, we don't stop funding. We are open to understanding why.”

“We’re all in the risk business when we make grants”

Deep dive introduction to Open and Trusting

Wednesday, 3 December, 10:00-11:30



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