

Beyond money

A study of funding plus in the UK

Funded by



Authorship

This report has been written by Ben Cairns, Steven Burkeman, Alison Harker and Eliza Buckley. It is based on research carried out by the authors, together with Gordon McCullough.

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FOREWORD

Our purpose in commissioning this study was to put together a smorgasbord of approaches that funders are currently taking to adding value to their work. We wanted to compare and contrast, to illuminate the ethical and practical dilemmas emerging from a variety of experimental work. We specifically did not want to imply 'grants good, funding plus better' and we very much hope it will not be seen as such. Rather, we wanted to explore whether and when funding plus can be better, and whether and when it should be eschewed.

The Trusts for which we work all aspire to enable social change through what we do and how we do it. For complex reasons of history, ideology, capacity, governance and contemporary context, we approach our work differently and yet have much in common. We work closely together on a number of programmes and initiatives and talk to each other frequently. We wanted to broaden our canvas by looking at our work alongside a range of other models for adding value. Specifically, we wanted to gain insights into what works both for the desired outcome and for the relationship between grant seeker/holder and grant maker.

Previous work on highly engaged funding has highlighted some of the ethical and practical dilemmas it poses. On the ethical side, we must consider our mandate, the limitations of our role, how to use our power for good ('power to' not 'power over'), how best to deploy resources and guard against seeking gratification or profile over social impact. On the practical side, we must seek best value, be honest about what we are good at, be clear about expectations both internally and with grantees, and take steps to properly and fully cost each type of intervention.

At the very heart of this ongoing and creative debate are two key imperatives; one, that funding relationships need to take account of inherent power dynamics and two, that funders have a responsibility to make the very best use of our resources in pursuit of our mission.

We ignore the power relationship of funder and fundee at our peril. To pretend we are 'all in this together' is patently disingenuous. But by naming the power imbalance and consciously attempting to reduce it, we can go much of the way towards true partnership. We have all found the key to this is having a shared vision or

goal with those we fund and making sure that they have a role in the shaping of what we do, if we expect to have a role in shaping what they do.

As custodians of charitable (or indeed other) funds, we are well placed to take the enabler role. In some situations, this is best done by putting cash in the hands of those who can use it to best effect and standing back. In other cases, working together with others can secure more impact, as can taking a more instrumental approach. This study usefully distinguishes between approaches designed to achieve influence and those designed to strengthen organisations to improve their outcomes. These approaches to adding value raise very different ethical and practical questions and, at times, this project group has struggled to devise a framework which does justice to both sets of concerns. Nevertheless, some key shared components have emerged:

- nobody likes their work to be interfered with
- everybody likes to be valued and taken seriously
- personal skills and personal relationships are key to successful interventions
- funders must develop humility without losing potency
- making our own jobs more interesting should not be our driver
- taking credit inappropriately destroys trust
- grant holders must be respected when they say no
- all parties need clarity about expectations
- different models require different skills bases.

We think, nevertheless, that there is a strong case for funders to pursue a range of funding plus approaches. This is mainly because we observe better outcomes in our own work and that of many of our colleagues, not least in the case studies included in this research, as a result of considered and creative new approaches. We all need to make best use of *all* of our resources, money being only one of them (albeit usually the greatest). We rather take issue with the authors' statement that our principal *raison d'être* is to make grants. We do not think it is. Our *raison d'être* is to achieve mission impact as charities in our own right. Money is just the major means we use to pursue that mission. Indeed, some of our work could be described as not 'funding plus' but 'plus funding', where we work on issues with partners and the money just makes the work possible.

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For us, the insight we feel challenged afresh by is the exhortation from funded groups not to steal their thunder. Our work is our work. Their work is their work. Our joint achievements are joint achievements. Our job is to enable where we can and stand back, except where we bring things to the table which only we can. Where that is money, it should be given without expectation of glory.

We would like to thank IVAR colleagues and researchers for their patience, challenge and skill, Project Oversight Group colleagues for providing 'grit in the oyster', and all interviewees for their time and frank disclosure.

Sara Llewellyn

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The Diana, Princess of Wales Memorial Fund

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This study aimed to identify and analyse the core characteristics of different approaches to funding plus used by UK charitable foundations. Within this, we hoped to identify the principal benefits, challenges and risks of these approaches in order to generate practically useful learning about funding plus. Our primary audience for this study was trusts and foundations interested in thinking about the introduction, further development or refinement of funding plus practices.

The research took place between June 2010 and June 2011 and was carried out by the Institute for Voluntary Action Research (IVAR) working with Steven Burkeman and Alison Harker. This report brings together the findings from 29 trusts and foundations engaged in funding plus work. We carried out 101 interviews with grant makers and third parties that were engaged with the delivery of funding plus, and grantees in receipt of funding plus approaches.

We use the phrase ‘funding plus’ throughout the report to describe the practice of giving more than money.

Background to the study

The practice of supporting grantees above and beyond the provision of grants – what we term funding plus – has a long history. However, only in the last decade or so has it received sustained attention from researchers and other interested parties. In part, the growing practice of funding plus relates to shifts in the method of funding voluntary organisations used by public agencies¹ and a now widespread emphasis on ‘outcomes’, ‘effectiveness’ and ‘performance improvement’². The growth in trusts and foundations practising funding plus is also based on a view that simply handing out money will not achieve lasting or meaningful results³, as well as a desire to ensure that organisations receiving foundations’ financial support have the capacity, means and strength to perform more effectively⁴.

Alongside the shifts in thinking within the world of trusts and foundations, the last decade has also witnessed the emergence of a new breed of self-made wealthy donors interested in investing time and energy in return for increased impact and sustainability on the part of the organisations they support. It has been argued that the ‘creativity’ of these ‘new’ philanthropists⁵ prompted the development of new models of involvement combining

the expertise, skills and knowledge of older ‘traditional’ institutional philanthropy with the innovation and entrepreneurship of the new economy⁶. A range of terms is in use to describe these methods, including ‘venture philanthropy’, ‘high engagement philanthropy’, ‘grants plus’ or ‘funder plus’ – all with the stress on the *engaged* nature of the approach⁷.

Existing literature on funding plus, much of it drawn from venture philanthropy, highlights three key elements of engaged approaches⁸: a focus on the needs and priorities of the grantee’s *entire* organisation (a kind of ‘strategic giving’⁹); a partnering role to develop capable management and adaptive strategies¹⁰; and a willingness to fund core operating costs¹¹.

In terms of the perceived benefits of such approaches, earlier research has concentrated on three areas:

- improved organisational capacity and improved organisational performance¹²
- new opportunities to lever in valuable additional resources through access to funders’ networks of specialist support¹³
- through longer-term investment, the development of more trusting and honest relationships between funders and grantees, as well as increased organisational security¹⁴.

However, funding plus approaches are not without challenges – previous work suggests six main challenges regarding delivery and success in funding plus¹⁵:

- the issue of readiness of grantees to participate in engaged relationships¹⁶
- the management of funding plus relationships¹⁷
- the importance of cultural fit between funders and grantees¹⁸
- a tendency among some funders to standardise support¹⁹
- the importance of aligning the goals and interests of funders and grantees²⁰
- understanding about the impact of funding plus is largely underdeveloped²¹.

Despite the growing interest in funding plus, there is a relative paucity of evidence about how it is experienced by both funders and grantees. Thus, we hoped that this study might help to fill some gaps in knowledge as well as encourage reflection and debate about new and emerging practices.

The study findings

The field of funding plus

ACTIVITY

The research identified two broad, but related categories of funding plus activity.

- *'Capacity building'* – activity focused on helping to develop skills or competencies of individual grantees, or of organisations working in a particular field or on a specific issue.
- *'Influence'* – activity focused on influence in order to achieve change in public policy and/or practice, and/or attitudes.

DRIVERS AND PURPOSE OF FUNDING PLUS

We examined what had led funders to adopt funding plus approaches in the first place. Funders fell into four groups: first, funders originally driven to use funding plus approaches by the pursuit of particular faith or ideological views (and for whom there may be little, or no, distinction between funding and funding plus); second, funders who have adopted a funding plus approach in the past decade or so in order to achieve better outcomes; third, funders for whom the driver for the development of funding plus was a particular strategic review or external funding initiative; and fourth, funders who did not consider their work to be traditional grant-making but rather as styles of venture philanthropy. Our findings suggest that different funders may belong to different groups at different times or may integrate features from other groups at various points.

The purposes for which a funding plus approach was used fell under five headings, although these are not mutually exclusive. First, some funders use funding plus approaches in order to develop their own agenda for achieving policy influence and change. Second, there were funders that used such approaches to increase the likelihood of their grants having positive results. Third, funders wanted to strengthen organisations/individuals, either to do what the funder wanted and/or what the organisation wanted. Fourth, funders used these approaches to strengthen particular communities. Finally, we found funders using funding plus to strengthen particular fields of activity.

DELIVERY OF FUNDING PLUS

Our research found funders acting in a variety of roles to deliver funding plus work: as funders (simply paying for the work), providers, facilitators, convenors, or brokers. Sometimes, when working to influence policy/practice, they act independently of those they fund. Within these roles, the research found funders using their own staff or third parties, or sometimes both, to deliver funding plus work. Third parties include academic institutions; business people; financial advisers; evaluators/specialist evaluation organisations; lawyers; public relations/communications companies; and other independent consultants.

Each of these roles and delivery methods has implications for the power relationship between funders and those they support. If the funder simply makes a grant to the grantee for whatever it requested, the power rests largely with the grantee. If the funder provides the service directly by using its own grants staff, its power is emphasised through the lack of separation between 'funding' and 'plus'. Using non-grants staff, on the other hand, seems to enable some, albeit limited, honesty and openness on the part of grantees, or on their behalf by third parties. Where the funder acts as a facilitator or as a convenor, the funder chooses who is invited to the table, and may also be influential in setting the agenda. A funder's presence may also influence what is said at such meetings. By acting as a broker, bringing in third parties whom it chooses, some funders have been able to achieve distance between themselves and the funding plus work. This has served to bring about a degree of power equalisation. Finally, by developing or working in partnership (usually in influencing work) the shared aim and purpose of the partnership appeared to become the focus for the relationship and somewhat mitigated negative power imbalances.

Experiences of funding plus approaches

Our findings show great variation across the 29 funders in terms of what is offered as funding plus, to whom and by what means.

Some funders base their offer on a process of careful analysis and reflection. Some – especially the venture philanthropists – provide an integrated package of financial investment plus additional support, with funders' staff determining the focus of that support in dialogue with the grantee. Others, particularly those involved in influencing work, have rolling programmes of training sessions and workshops, as well as networking events to which grantees are invited. A number of funders prefer to wait until help is requested, rather than directly offering it. Others, especially those with a capacity building focus, are proactive in creating specific initiatives in which grantees are invited to participate.

GRANTEE EXPERIENCES OF FUNDING PLUS

Generally, grantees in our study were enthusiastic about the kinds of help they had received from their funders. In particular, they appreciated the engagement of their funders, feeling that they understood what they were about and were *'on their side'*. Several said that the funding plus input was as important as the grant itself. Personal relationships were critically important in the success of this input; grantee responses seemed noticeably warmer where there had been a good relationship with a key individual.

However, not all grantees in our study had positive experiences; some interviewees expressed concern about ambiguities in the role of funders. Concerns were also raised about power differences inherent in the funder/grantee relationship. Although most grantees felt they could be reasonably candid with the funder, some were more uncertain. They felt that expectations were not always understood or agreed, and that it was important to be clear at the outset about these. Some grantees also felt that funders were too demanding of their time and input.

Grantees in our study referred to the importance of keeping a balance between the funder interfering and the funder adding value. They believed that the lead responsibility for developing a relationship, setting the tone and making it work lay with the funder. Some of the grantees we spoke to felt that their funder's particular approach had enabled the relationship to be one of genuine partnership, overcoming the obvious power imbalance.

Finally, grantees who worked with venture philanthropy organisations placed particular value on the kind of help they received, focusing on the benefits of access to specific skills and experience, often from people with a relevant private sector background.

THIRD PARTY EXPERIENCES OF FUNDING PLUS

Many of the third parties involved in delivering funding plus activity on behalf of funders spoke warmly of the funders with which they had worked. As with grantees, our findings show that personal relationships, trust and continuity are key issues for third parties in the successful delivery of funding plus activity. Some of the third parties in our study had difficult experiences, largely because they felt they were caught in the middle of grantee/funder relationships, with a lack of clarity regarding the expectations of their roles.

Costs of delivering funding plus

Although considerable resources are invested in various approaches to funding plus work, significant gaps remain in our knowledge about its cost; few interviewees in our study could give precise details about costs, beyond confirming that the major cost category is staff time. The full report outlines some examples of delivery costs provided by funders who participated in the research (see page 25).

Benefits and success of funding plus

This research found little in the way of concrete data about the success of funding plus initiatives. Much of this work is, by its very nature, slow and intangible, and attributing outcomes is difficult. However, almost all funders in our study were involved in some kind of evaluation and learning activity, including: commissioning surveys and evaluations (both formative and outcome); funding grantees to carry out evaluations themselves; requiring independent monitoring and evaluation of a proportion of grants made; carrying out reviews themselves; convening monitoring events; and using development officers to monitor projects. The venture philanthropists tended to include robust financial indicators as their means of assessing success.

Generally, when discussing the success of funding plus, interviewees referenced anecdotal evidence, reports they received from grantees or the contact they had with them. Others felt that the continued existence of grantee organisations beyond the period of the grant was itself an indication of the success of funding plus efforts aimed at building the capacity of staff in those organisations.

Despite the findings showing under-developed practice in measuring the success of funding plus, most of the funders in our study felt funding plus had benefits for grantees and was successful. Typically, funders felt that there were benefits from grantees realising that the funder believed in them and that it helped to create more sustainable organisations.

Some funders referred to indicators which they felt suggested a degree of success. Several that had been involved as active partners in specific campaigns pointed to the achievement of the campaign's immediate legislative goal; to statistics which indicated some success; and to increasing interest in the issue on the part of government and influential bodies in the field. Other funders highlighted what they saw as real progress in individual grantee organisations.

Risks and challenges of funding plus

We asked interviewees about the risks of funding plus approaches. A number of risks were identified, for both funders and grantees.

RISKS FOR FUNDERS

By broadening out beyond grant-making and engaging in funding plus work, funders may lose their sense of focus or purpose, forgetting, perhaps, that for many their principal *raison d'être* is to make grants. If a funder 'drifts' into funding plus work without careful thought and planning, then it may do so without an awareness of the real costs of the move. There are also risks in using approaches that are difficult to evaluate or justify in terms of impact.

Where funding plus approaches focus on influence/policy, it is likely that the funder will need to engage with those close to the political process. For trustees of a charity, this might be a cause for concern.

Finally, once a funder demonstrates its willingness to do more than make grants, its grantees may want to exploit this to the full and pressurise the funder to do more in this area – the more you do, the more there is pressure to do yet more.

RISKS FOR GRANTEES

When discussing the risks of funding plus, grantees were most concerned about the risk of 'mission drift' due to pressures from funders to engage in time- and resource-intensive funding plus activity. Some grantees raised another concern, borne out of the ambiguity in some funding plus relationships – that, given the power imbalance, funders might take credit for outcomes from the groups with which they work; this was especially the case for grantees engaged in funding plus work around influence.

CHALLENGES OF DELIVERING FUNDING PLUS

There was consensus among grant makers in this study about the challenges of delivering funding plus. The biggest perceived challenge is the significant time it takes to commission reports, manage consultancies and to convene/broker and establish good relationships. Time, and therefore money, spent in this way is time/money not spent on grants or on the grant-making process. Funders in this study were also aware that, given the high transaction costs of funding plus, trustees need to be assured that funding plus work is effective and mission-related.

Funding plus approaches also make significant demands on the staff within trusts and foundations. Funders in our study talked of the challenge to find people who have the energy, skills and experience to manage these demands.

Finally, funders emphasised the importance of being clear about the purpose of funding plus initiatives; how they work; appropriate roles and boundaries; and expectations. Some noted the challenge of knowing how far to go – when to stop so as not to transgress proper role boundaries or to develop dependency.

Other challenges raised by funders in this study included:

- how to gather and share learning, and thereby understand the extent to which funding plus initiatives are effective
- how to identify the value added by funding plus approaches
- how to grow and sustain funding plus approaches.

MITIGATING RISK IN FUNDING PLUS WORK

Interviewees identified a number of ways in which the risks and challenges of funding plus approaches might be mitigated. For funders, it helps if trustees and the grants team are closely involved in internal discussion on funding plus matters. It was also thought to be important, when engaging with grantees, to create clear boundaries between the staff dealing with grant-giving and the staff delivering funding plus services.

Funders also felt that regular reviews or periodic evaluations could help to identify and mitigate risk. For some funders engaged in influencing work, the making of grants is often just one aspect of a strategic programme involving a range of partners, where grants are a tool made to those best able to advance the issue. In these instances, the priority is to evaluate the strategic programme as a whole, rather than the grants programme; this is the means of identifying and (if appropriate) mitigating risks.

Discussion

WHAT IS FUNDING PLUS?

The field of funding plus is both emergent and ambiguous – its boundaries are not fixed, nor is its meaning. Findings from our study have shown that there is often a fine line between good grant-making and funding plus, but that all stages of the practice of *making grants*, however engaged and sophisticated, fall outside the broad tent of funding plus. Based on this research, we suggest that funding plus might usefully be understood as *any activity which is additional to a grant and the grant-making process* (albeit that the activity might itself be accompanied by some kind of financial investment or might be independent of specific grants or grantees).

THE PURPOSE OF FUNDING PLUS

We have found that the purpose of funding plus, if it is articulated at all, is dynamic and may be subject to debate and disagreement. Our analysis of the study findings suggests that funders engaged in funding plus practices fall loosely into three broad groups: those for whom funding plus is intrinsic to grant-making, and is viewed as an expression of roots and values; those who are, in principle, committed to engaged and supportive relationships with grantees; those practising or influenced by venture philanthropy. In addition to internal drivers, the practice of funding plus is also shaped by external factors, such as peer pressure, the views of grantees and public policy.

Funders vary in their motivations and goals for funding plus. While the aim of our study was not to ascribe value to different purposes, we can highlight the need for funders to be conscious and transparent about their interests. Funders may need to ensure a degree of clarity (internally and externally) about the overall purpose of their grant-making. This might, in turn, develop thinking about what funders hope to achieve through grant-making and funding plus, and the appropriate models and relationships required to achieve their goals.

THE DELIVERY OF FUNDING PLUS

Building on the findings from our study, and drawing on our own earlier work in this area, we can identify six overarching factors that may be viewed as preconditions for the success of funding plus activity.

- Funders need good knowledge of grantees: their field, circumstances and concerns.
- Strong relationships and communication between funders and their grantees are vital.
- Achieving coherence between the purpose, design and delivery of funding plus can assist enormously in the success of such approaches.
- Funding plus is not appropriate or worthwhile for all grantees; for it to work, they will need to be ready and willing.
- There are real benefits from avoiding prescriptive and standardised funding plus work; more bespoke approaches are a potentially effective alternative.
- Funders should be careful about the way in which they pursue their own goals.

THE SUCCESS OF FUNDING PLUS

This research showed that funders with developed theories of change about their funding plus work benefit from the practically useful learning that their subsequent evaluation activity generates. However, wider practice around understanding or measuring success of funding plus is under-developed; likewise the sharing of knowledge and learning within and between funders and grantees. While acknowledging that much funding plus work cannot be easily measured, and that outcomes and impact remain contested terms, funders may face pressure to do more, particularly in the current economic and political climate. Should that happen, they may wish to prioritise assessment processes that are appropriate, worthwhile and proportionate, focusing more on contribution than attribution.

ASSETS, RESPONSIBILITY AND POWER

Our study has shown the many ways in which trusts and foundations use their significant and extensive assets in funding plus activities. In addition to money, these assets include buildings, knowledge and skills, contacts, brandings and leverage. In the current economic and policy context – one in which many of the grantees of trusts and foundations in this study will struggle to survive – it can be argued that funders have an enhanced responsibility to use their assets to maximum effect. This does not mean that all funders should be active in funding plus; it is not appropriate in all instances. However, it seems reasonable to expect all funders to engage in discussion and debate about the use of their assets. Part of that process of reflection should include consideration of the merits and appropriateness of funding plus. For those committed to funding plus, the power imbalance between funders and grantees will also require careful, responsible and creative attention.

Conclusion

The practice of '*going beyond the money*' is not new, but a combination of factors means that the spotlight on funding plus is currently shining bright. Cuts in public expenditure, the changing role of the state, governmental interest in philanthropy and giving, and shifts to demand-led models of support for voluntary organisations are all influencing and shaping the priorities of trusts and foundations, as well as those of their grantees.

The funders in this study generally see funding plus in a positive light. They acknowledge the difficulties in these approaches, but still have an appetite to do more in this area. We also found that the grantees engaged with funding plus work value closer relationships with funders as a means of achieving their aims, being better placed to fulfil their missions and make a difference.

In thinking about the further development of funding plus, we suggest that the following four areas would benefit from attention:

- More investment of time and energy from funders (and, where appropriate, external support) to prepare for funding plus, paying particular attention to function – what is the purpose of moving beyond money to the provision of additional activities? And form – what process and methods will fulfil that purpose?
- A longitudinal study to assess the difference and contribution over time that funding plus interventions make, for example to social change.
- Linked to the need for more work around benefits, further work could be undertaken to look at the costs and opportunity costs of funding plus.
- Finally, related to work on costs, gaps remain in our knowledge about funding plus interventions. In particular, there may be a need to look more closely at the activities and methods involved in influencing work.

Beyond money: A study of funding plus in the UK

This report

This is the final report of a study carried out for the Barrow Cadbury Trust; The Diana, Princess of Wales, Memorial Fund; and the Trust for London by the Institute for Voluntary Action Research (IVAR) between June 2010 and June 2011.

The study had three principal aims:

- To identify and analyse the core characteristics of a range of different approaches to 'high engagement funding' by UK charitable foundations.
- To identify the principal benefits, challenges and risks of these approaches, from the perspectives of grant makers, grant recipients and third parties involved.
- To generate practically useful learning about this approach and form of funding commitment, for charitable foundations and the wider voluntary sector.

Our primary audience for this study was trusts and foundations interested in thinking about the introduction, further development or refinement of funding plus practices.

Terms and working definitions used in this report

'High engagement funding' is still a relatively new practice and a range of terms is in use as people find ways to describe it. As this report is intended to be read both by those engaged in these practices, as well as by those who are not, we have tried to use words which are in general use, although this has not always been possible – for example, we have reluctantly used 'capacity building', a jargon term for which colloquial substitutes proved too clumsy and lengthy.

We have chosen not to use the term 'high engagement funding' to describe the subject of this research, because what we were studying proved to be not just about funding, but also about the *other* things which funders do (or could do) to support or work alongside those they fund. We therefore use the phrase 'funding plus'

throughout this report to describe the practices of giving more than money, with the understanding that, for some, it is indistinguishable from funding.

Given the range of work beyond grant-making which funders can, and do, undertake, a comprehensive definition is beyond the remit of this report. As a working definition, however, we used the term 'funding plus' to mean:

All those activities in which funders engage, or have the possibility of engaging in, to support and work alongside those they fund – whether those activities are about developing the skills or competencies of grantees; helping to influence policy and/or practice alongside grantees or on their behalf or independently; or something else.

Throughout the report we use the terms 'funder', 'trust' and 'foundation' interchangeably to refer to any of the different funding bodies we spoke to. Where appropriate, we describe in more specific terms the nature of the organisation about which we are writing.

Finally, for simplicity, those who have received financial support from funders are generally referred to in this report as 'grantees', even though, in some cases, the funding provided is not described by the funder or the recipient as a grant.

Report structure

In Part One of this report we describe our approach to the study. In Part Two we outline the background to the study, focusing in particular on earlier research in this field. In Part Three we focus on the study findings, in particular study participants' views about the purpose of funding plus, as well as different approaches and expectations, benefits, costs and challenges. In Part Four we discuss the issues emerging from the study findings and their implications for the field, before offering some tentative suggestions for future developments, including scope for further research.

There is an extensive resource and reference list in Appendix One. Appendix Two provides information about the funders chosen as case studies; interviewees are listed in Appendix Three.

Our approach to the study

Aims

This study has its roots in earlier research carried out by IVAR for the City Bridge Trust about a pilot project aimed at strengthening small organisations working with older people in London²². That research confirmed the potential of this particular approach to funding plus – grants plus bespoke organisational support – to achieve significant benefits. It also highlighted gaps in current knowledge about alternative approaches, costs and challenges.

Despite the emerging interest in more engaged approaches to funding within foundations, there is a relative paucity of evidence about its practice, including: a shortage of in-depth case studies and other empirical data²³; a need for more stories to emerge from both sides (funder and grantee) to facilitate two-way learning²⁴; and the need for more research to help grant makers prepare for providing assistance beyond the grant²⁵.

To support the development of practice within trusts and foundations, as well as to inform wider debates about the future of philanthropy, this study had three principal aims:

- To identify and analyse the core characteristics of a range of different approaches to ‘high engagement funding’ by UK charitable foundations.
- To identify the principal benefits, challenges and risks of these approaches, from the perspectives of grant makers, grant recipients and third parties involved.
- To generate practically useful learning about this approach and form of funding commitment, for charitable foundations and the wider voluntary sector.

Our approach

In order to address the first two study aims, we carried out 101 semi-structured interviews (face-to-face or by telephone) with individuals directly involved in funding plus activities. Our interviewees – listed in Appendix Three – fell into two groups, which we have labelled ‘*case studies*’ and ‘*key informants*’.

CASE STUDIES

Fourteen funders were selected as case studies. Case study funders were chosen in order to provide a mix in terms of:

- *location* (covering all four countries of the UK)
- *scale* (avoiding those which are so large that their initiatives could not be replicated by most other funders)
- *grantees*, including organisations and individuals
- *types of funder*, including one or more: endowed foundations; family foundations; community foundations; trusts with corporate connections; fundraising foundations; national foundations; regional foundations; foundations which work overseas as well as in the UK; social entrepreneur/venture philanthropy vehicles; long-established funders; and recently established funders.

The following funders were selected, with their agreement, as case studies:

- Baring Foundation
- Barrow Cadbury Trust
- Community Foundation for Northern Ireland
- The Diana, Princess of Wales Memorial Fund
- Environment Wales
- Inspiring Scotland
- Joseph Rowntree Charitable Trust
- Northern Rock Foundation
- Paul Hamlyn Foundation
- Pears Foundation
- Scottish Community Foundation
- Trust for London
- UnLtd
- Venturesome.

In Appendix Two we provide a brief description of the 14 case study funders. These descriptions outline the background of each funder, its funding plus activities, methods of delivery, and ways of measuring the success of these practices. The texts were approved, and in some cases amended, by key individuals in those organisations.

For each case study funder, we aimed to interview:

- key staff member(s), usually, but not always, including the director
- several grantees who had been involved in funding plus activities
- one or more of any third parties (consultants, etc.) involved in delivering funding plus activities.

In all cases, we were given names of possible interviewees by the funder. In total, we carried out 86 case study interviews.

KEY INFORMANTS

Most key informants were associated with funders which, because they did not meet the criteria we applied for the selection of case studies, would not have been included in the study in that category. However, the organisations concerned had, it appeared to us, an interesting involvement in funding plus-type work, and it was relevant to capture their insight and experience. In total, we carried out 15 key informant interviews.

Within this category, we also conducted a focus group on funding plus in Wales, attended by representatives of ten funders.

Presentation of data

The data from the interviews has been organised thematically, resulting in the key findings presented in Part Three.

Given that this is a qualitative and not a quantitative study, we do not attribute numbers to those holding any particular point of view, although we do highlight points made by several interviewees. For the most part, we are presenting the findings anonymously, though there are instances in which we have sought and obtained permission to identify specific organisations. In other instances, we refer to ideas as being put forward either by '*study participants*', '*interviewees*', '*funders*', '*third parties*', or '*grantees*'. Unattributed quotations are presented throughout this report in italics. We illustrate some points with longer examples.

In the light of the obviously asymmetrical power relationship between funders and grantees, we were always concerned that some interviewees might be reluctant to speak candidly to us. On a few occasions, our concern appeared justified, despite our assurances that nothing would be written in this report in a way that enabled views or comments to be attributed to identifiable individuals or organisations without prior approval from the interviewee.

Development of the funding plus field

The practice within charitable grant-making bodies (trusts and foundations) of supporting grantees above and beyond the provision of grants has a long history. However, it is only in the last decade or so that it has received any sustained attention from researchers and other interested parties, with much of the research focus concentrating on capacity building. In part, these changes relate to shifts in the method of funding voluntary organisations by public agencies²⁶. Contracting, commissioning and, more recently, procurement have become the norm and have largely replaced grant funding. There is now widespread emphasis on ‘outcomes’, ‘effectiveness’ and ‘performance improvement’²⁷.

Funding plus also has its roots in a view that simply handing out money like charitable ATMs will not achieve lasting or meaningful results²⁸, as well as a desire to ensure that the recipients of foundations’ financial support have the organisational capacity, means and strength to perform more effectively²⁹. To achieve this, trusts began to use a range of different activities to support those to whom they offered funding. They were able to do this because they took the decision to spend some of their money on this activity, or to draw on other ‘assets’ – for example, their networks and knowledge – and to make these available to their grantees.

Alongside the shifts in thinking within the world of trusts and foundations, the last decade has also witnessed the emergence of a new breed of self-made wealthy donors, with quite distinctive attitudes to giving³⁰. These donors, so-called ‘new philanthropists’³¹, are not content with the simple distribution of funds; rather, their interest lies in an investment of time and energy in return for increased impact and sustainability on the part of the organisations they support. It has been argued that the ‘creativity’ of the new philanthropists challenged those engaged in traditional philanthropy³² to join with them to create new models of community involvement that combine the expertise, skills and knowledge of older traditional institutional philanthropy with the innovation and entrepreneurship of the new economy³³.

A prominent model to emerge in response to the shift to delivering funding *and* support more strategically became known as ‘venture philanthropy’³⁴. At its heart, venture philanthropy emphasises some common principles³⁵. The first is a desire to help nonprofits gain

the capacity to serve more people more effectively by building their organisational infrastructure and management capacity along with providing grant finance over an extended period of time. Second, grant makers are highly engaged, bringing not just money, but also management assistance and business planning through close and long-term involvement with grant recipients. Third, grant makers and grant recipients jointly develop clear benchmarks of performance or measurable social outcomes to demonstrate social return on investment; future support is contingent on meeting these goals.

Although it remains hard to ascertain venture philanthropy’s real contribution to the field, its attempt to move concepts and language from the world of business to the world of voluntary organisations has achieved considerable profile and exposure, and it has come to be regarded as the ‘epitome’ of new models of philanthropy³⁶. However, some writers have questioned the ‘newness’ of venture philanthropy³⁷: others have argued that, while many of the elements used by venture philanthropists are common features of grant-making when looked at individually, taken together they do constitute a distinctive approach³⁸.

Some proponents have begun to acknowledge that some of the ‘new’ principles – for example, documenting performance and encouraging organisational capacity building – had been previously advocated (if to a lesser degree) by some traditional grant makers³⁹. Venture philanthropy might better be understood as more of an evolution than the revolution it first seemed to be⁴⁰. Indeed, confusion surrounding the term⁴¹ has contributed to the adoption of alternatives – such as ‘high engagement philanthropy’, ‘grants plus’ or ‘funder plus’ – with the stress on the ‘engaged’ nature of the approach⁴².

Three key elements of this form of engaged approach have been highlighted⁴³: a focus on the needs and priorities of the grantee’s entire organisation, not just a single programme⁴⁴, in other words a kind of ‘strategic giving’⁴⁵; a partnering role to develop capable management and adaptive strategies⁴⁶; and a willingness to fund core operating costs⁴⁷.

In terms of the perceived benefits of such an approach, earlier research has concentrated on three dimensions of the organisational sustainability of grantees: first, improved organisational capacity and performance⁴⁸; second, new opportunities to lever in valuable additional resources through access to funders' networks of specialist support⁴⁹; finally, through longer-term investment, the development of more trusting and honest relationships between funders and grantees, as well as increased organisational security⁵⁰.

In addition to exploring the benefits of this kind of engaged grant-making, the literature in this field also highlights certain challenges⁵¹. First is the issue of readiness, with evidence that many nonprofits underestimate what is expected of them and experience considerable strain in carrying out their side of the partnership⁵², as well as stress in managing the transition from historically tense relationships (between benefactor and supplicant) into more balanced working relationships⁵³. Second, even where grantees were generally pleased with the process and results, high engagement relationships are described as difficult, stressful or contentious⁵⁴. Third, a number of authors have highlighted the importance of the cultural fit between funders and grantees in this model; a failure on the part of funders to take account of the nuances and distinctive features of nonprofits, as well as their desire for open and fair relationships with their funders⁵⁵, can hamper and damage the process⁵⁶. Fourth, despite the apparent priority afforded to the idea of bespoke support within 'high engagement funding'⁵⁷, a tendency amongst some funders to standardise support has been noted⁵⁸. Fifth, the importance of the goals and interests of funders and grantees being aligned closely enough to justify a long-term, highly interactive relationship has been noted⁵⁹. Sixth, questions about the impact of more engaged funding remain largely unanswered⁶⁰, in part, perhaps, because of its relatively short history and the sporadic nature of efforts to capture and disseminate learning⁶¹.

Finally, as we have indicated earlier, concerns remain about the relative paucity of evidence about the actual practice of funding plus, both from the perspective of funders and grantees. Thus, we carried out this study within the broad context both of charitable trusts' growing interest in new approaches to grant-making, and gaps in knowledge about those approaches.

Study findings

In Part Three we examine the findings from the study, focusing on:

- The field of funding plus
- Drivers of funding plus
- Purposes of funding plus
- Delivery of funding plus
- Examples of funding plus
- Experiences of funding plus
- The cost of delivering funding plus
- The benefits and success of funding plus
- The risks and challenges of funding plus.

The field of funding plus

Before we asked interviewees about the drivers and purposes of funding plus (see pages 13-15), we asked them to describe how they understood the term and what it comprised in terms of activities.

We found two broad, but related, categories of funding plus activity, which we have loosely termed 'capacity building' and 'influence':

- 'Capacity building' – activity focused on helping to develop skills or competencies of individual grantees, or of organisations working in a particular field or on a specific issue.
- 'Influence' – activity focused on influence in order to achieve change in public policy and/or practice, and/or attitudes.

There are limitations to this categorisation. First, the boundary between the two categories is blurred: when, for example, does an engaged, supportive relationship become skills development work? When does activity to improve the knowledge base and the learning capacity of funded organisations become, in effect, influencing work? Second, some activities related to learning and sharing appear to straddle the two broad categories. Third, in some cases a funder's activities can embrace both categories. However, despite these concerns, it is our view that these two categories, albeit blurred, provide a useful framework for organising the data,

highlighting different characteristics and describing in more detail the kinds of work which comprise funding plus.

CAPACITY BUILDING – FUNDING PLUS ACTIVITY

A wide range of activities fell under this heading. Many funders provide *training* for their grantees. Although this is sometimes delivered directly by the funder, third party agents are often involved - either hired by the funder or by the grantee - with additional dedicated funds provided for the purpose. We found examples of training covering: fundraising; working with the media; leadership; accounts and financial management; and evaluation. In some cases, training was offered to all or a range of grantees; in others it was customised to meet the needs of specific organisations. In some instances, the training was provided for the organisation's board; mostly it was directed at staff.

We also found funders who provided bespoke *practical help* in some of the same areas, by paying for expert assistance – in areas such as public relations; dissemination; legal advice; financial advice; and evaluation. In a few cases, rather than paying for this kind of practical help – either directly or by a special addition to the grant – funders provided vouchers to enable grantees to purchase services from a list of approved providers. Some other funders have directly brokered relationships between grantees and external bodies, such as lawyers and accountants, or have set up other specialist support, for example environmental consultants to carry out audits of grantee organisations.

Funders also use what they describe as their *convening* power, to organise meetings of grantees with related interests, or to encourage 'buddying' – peer support arrangements between particular organisations.

While most of the examples we found apply to work with individuals or individual organisations, some foundations focused their efforts on a group of organisations working in a particular field so as to *improve the skills base* of an entire sub-sector. This included commissioning research on funding options for specific sectors.

INFLUENCE – FUNDING PLUS ACTIVITY

Funders which seek to influence policy and/or practice and/or attitudes in particular fields of interest do so either by working alongside those they fund or, in some cases, working independently, albeit that these activities *'would be meaningless without the grant-making'*. However, our findings suggest that this broad categorisation conceals a wide range of ways of operating, some of which shade into the previous category of funding plus.

One approach to influencing work is for funders to work alongside other voluntary organisations (who may also be grantees) in relevant networks, as partners in the pursuit of change. This might involve groups of organisations and a funder adopting a formal arrangement, including clear roles and a shared strategy, to achieve change in an area of mutual concern. In some instances, a single organisation might work with a funder.

Alternatively, some funders have carried out influencing work by setting up new grantee organisations – with the funder being involved directly or at arm's length – to press for particular changes which they view as desirable.

In other cases, in pursuit of their mission and purpose, some funders have carried out their influencing work independently of those it is designed to support: they have become directly involved in pressing government for changes, for example as members of government working parties or alongside other funders.

More recently, a number of funder collaboratives have developed in order to pursue specific changes – for example, the Corston Independent Funders' Coalition, which describes itself as:

'A group of 21 charitable trusts, foundations and individual philanthropists... set up to sustain a shift from imprisonment to community sentencing for vulnerable women offenders, through advocacy, funding and critical partnership with charities and government'⁶².

Some foundations use their own assets – for example, offices, facilities, contacts, access and standing – to enable grantees to meet key policy shapers, in order to exercise influence. This can involve a range of levels of help – from simply providing meeting space on neutral territory, to arranging meetings to which key people are invited. This approach appears to work because people respond positively to an invitation from a prestigious funder, as distinct from one from a relatively small charity or pressure group. If charities act on their own, they are potentially vulnerable to the charge of special pleading; if the funder take the lead, it changes the dynamic.

In this connection, some funders which have, or believe they have, a notable 'brand' have been willing, or even

keen, to use that brand to market the outcomes of work done by their grantees, in the belief that this will be more successful in achieving the desired changes than leaving the grantees themselves to do the work. For example, one funder produced two publications on the subject matter of one of its grant programmes. It funded independent research and subsequently a series of projects focusing on the gaps identified by the research. As a result the funder identified, with others, a particularly contentious issue where the government was not fulfilling its statutory responsibility. The funders collaborated to fund a major piece of research to produce the necessary evidence to persuade government to act.

Finally, a small number of funders commission research which is intended to inform the work of grantees, thereby strengthening their ability to achieve policy/practice change. For example, funders have created and funded commissions of inquiry led by high profile public figures in order to develop recommendations to be used as the basis for pursuing policy change.

Drivers of funding plus

We were interested to discover what had led funders to adopt funding plus approaches in the first place – what we have labelled as the 'drivers'. We found them to be multiple, interlocking, and overlapping. While a small number fall outside them, four groups of funders emerged from our analysis of the data.

THE PURSUIT OF PARTICULAR FAITH OR IDEOLOGICAL VIEWS

The *first* group is driven by the pursuit of particular faith or ideological views. This includes, for example, Quaker trusts and others which have worked in this way since their inception – in some cases, over 100 years ago. They tend to have a commitment to the pursuit of social justice as an essential element in their mission. This may encourage a more engaged approach in the activity which the funder (particularly trustees) pursues. We also found a sense of equality between trustees and those they fund:

'[The funder's] role is to grease the wheels and within that there is a funder/fundee relationship... but the relationships hinge on [the funder] keeping in the front of its mind: "how would I feel about this?"'

For some funders in this group, the distinction between funding and funding plus is false. Rather, the 'additionality' of funding plus is simply regarded as highly engaged funding, consistent with a broad mission to 'do good' with the various assets at the disposal of a trust or foundation.

THE DESIRE TO ACHIEVE BETTER OUTCOMES

The second group of funders includes those who have adopted a funding plus approach in – approximately – the past decade in order to achieve better outcomes. In some cases, we were told that the decision to operate in this way had been influenced by the perceived failure of traditional second-tier support bodies. These funders see funding plus as a way of using their resources more efficiently and, in relation to their grants, as a method of managing risk and helping to ensure that the organisations they support have a sustainable future:

'The main purpose is to maximise the funding and to use knowledge/resources, etc. to tackle [the mission] and to enable reflection and learning. The networking opportunities which are available through a funding plus approach are popular with groups and help them to make better use of their money and meet their aims'.

RELATIONSHIP WITH EXTERNAL INITIATIVES

For a third group of funders, the driver for the development of funding plus was a particular strategic review or external funding initiative⁶³, such as the National Lottery 'fair shares' initiative, aimed at ensuring that parts of the UK which had missed out on Lottery funding benefited from future programmes. In another example, one group of trustees became interested in wider issues affecting the sector and concluded that merely making small grants – say, a large number of grants of under £20,000 a year – is expensive:

'There has been interest for quite a long time in the general issues affecting the voluntary sector. Trustees are very involved, they visit grantees and are keen on wider issues and see the expensive nature of making lots of small grants'.

Similarly, another noted that: *'It was deciding how to achieve the objectives – opening up all options so we aren't just worried about money'.*

“ **The main purpose is to maximise the funding and to use knowledge and resources to tackle the mission and enable reflection and learning**

Finally, we found a fourth group of funders who did not consider themselves to be traditional grant makers but rather saw their work as styles of venture philanthropy⁶⁴.

VENTURE PHILANTHROPY IN ACTION

'We began with a five stage venture philanthropy model but it became something bigger. We spent a long time in a small team designing a model suited to (the area) which we then tested with civil servants, academics, politicians and policy makers, trusts and foundations, philanthropists, well known people in the voluntary sector as well as people on the receiving end of charitable foundations'.

Within this last group there were differences between funders. Some work to promote what are in effect social businesses; others focus on the kinds of voluntary initiatives which might equally well be (and in many cases are) supported by traditional funders. But in all cases, such funders believe that if the groups they support are to survive, prosper and achieve the goals they have set themselves, then those groups will need more than merely money:

'We bring together a network of private sector contacts and expertise which help voluntary organisations to achieve the best social outcomes. You cannot do this with just money'.

This group of funders also tended to employ/use people with the skills to advise in relevant areas:

'When specialist help is required we go to [a staff member with a business background] who sources what is needed... he finds people as necessary on a business to business basis'.

It is important to re-emphasise that different funders may belong to different groups at different times or may integrate features from each others' models at various points.

Purposes of funding plus

We wanted to explore the purposes for which funding plus approaches are used in practice. In so doing, we were aware that it might be difficult at times to distinguish these from the drivers – what had pushed or led funders to adopt funding plus approaches in the first instance – because it is likely that, when deciding to move in this direction, they already had specific purposes in mind. Inevitably, therefore, there is overlap between what we have labelled 'drivers' and 'purposes'.

When asked to describe why they used a particular funding plus approach, most interviewees responded in fairly general terms. From their responses, we were able to organise the purposes for which a funding plus approach was used under five headings. These should not be treated as mutually exclusive or discrete; different approaches may be used for different purposes at different times.

POLICY INFLUENCE AND CHANGE

First, some funders choose to develop their own agenda for *achieving policy influence and change*: 'We are trying to influence policy in our own right... directly with the government and have also organised meetings between grantees and government'. Others use funding plus to support the priorities of those they fund: 'Our model of change is about "capacitating" grantees to influence whoever is to be influenced. We would not set out to influence directly'.

ACHIEVING BETTER OUTCOMES

Second, *achieving better outcomes*: here the purpose is to 'get more out of the money' paid in grants and increase the possibility of achieving successful outcomes by the funder's direct and indirect action, including increasing the chance that grants made by the funder will have positive results (there is some overlap with the driver mentioned earlier). For example, in the realm of capacity building, funders may wish to increase the possibility that an organisation will survive long enough to make an impact with a project for which grant funding has been agreed. This may lead to the provision of support for, say, income generation capacity. One funder commented that:

'It's about protecting the financial investment we make in organisations, about trying to increase the likelihood of a successful outcome and reduce risk of failure and enhance the outcome. Money plus is greater than the sum of the parts'.

STRENGTHENING ORGANISATIONS OR INDIVIDUALS

Third, *strengthening organisations/individuals to do what the funder wants and/or what the organisation wants*: as was indicated to us, this is an area in which the issue of the unequal power relationship arises. Some of our interviewees highlighted a distinction between a funder using its resources to strengthen an organisation to meet the organisation's own priorities – the funder having already exercised its power to choose to support that organisation in the first place – and a funder using resources to get the organisation to do what the funder wants it to do.

For example, one funder focuses its capacity building input on organisations in a certain field. It stated that:

'The purpose [of their funding plus activity] is to make a landscape change for people and communities... The idea is to engender permanent change on the chosen [by the funder] issue'.

On the other hand, we also heard examples of more enabling approaches. One funder who aims to help grantees to exert influence said:

'The purpose was to strengthen those we support to pursue our mission and values... and to enable the grantee to do what they want with the grant. We define our objectives in broad terms but say "come and enthuse us" and that approach leaves room for negotiation'.

STRENGTHENING COMMUNITIES

A fourth purpose described was that of *strengthening communities*. For example, one funder stated that its funding plus (capacity building) approach enables it to:

'Make a deeper impact in poor, marginalised, and disadvantaged communities'.

STRENGTHENING THE FIELD

Fifth, *strengthening the field*: this approach is best illustrated by an example of a funder which had a good overview of the field in which it worked and was keen to build up the capacity of the sector with which it was dealing. This funder decided to use funding plus approaches (particularly capacity building) to help organisations build on opportunities available and move towards sustainability. In practice, the funder has supported locally-based training provided by national agencies. It funds weaker organisations in the field where they provide the only service available in the area. The funder helps them to network and provides management training and mentoring for leaders to help them to improve the services they offer.

As we noted earlier, these groupings are not fixed or mutually exclusive. For example, in one case the purpose of funding plus was variously described as:

- an obligation arising from the organisation's advantages as an independent funder with an overview
- necessary in order to improve the outcomes of grants
- integral to the funder's mission, which could not be achieved simply by giving money
- essential in order to make the funder more efficient.

Delivery of funding plus

THE ROLES PLAYED BY FUNDERS

We found that funders in our study act in a variety of sometimes overlapping roles to deliver funding plus work: either through their own staff or via third parties. They may simply pay for it – in other words, they use their traditional function as a funder to add money to the grant paid in order to provide capacity building or influencing support. They may act as a provider, delivering the services directly, through their own staff. Alternatively they may act as a facilitator, perhaps bringing funded organisations together with key sources of help (or influence). As convenors, they may take it upon themselves to bring a group of organisations or other funders together to work towards a specific end. As brokers, they may simply bring a consultant together with a grantee and leave it to the two parties to decide how best to proceed, and on which areas help is needed; or they may identify specific third parties through whom funding plus services will be provided, paid for by the funder. Finally, they may act entirely independently of those they fund in order to pursue particular policy/influence objectives.

Most funders in the study use their own staff in delivering funding plus. In some cases, staff have been appointed to their job, in part at least, because they have the necessary specialist knowledge or experience and/or because they are of an appropriate disposition to work in this way with grantees.

Other funders studied use third parties to deliver funding plus work. The range includes:

- academic institutions
- business people/financial advisers
- evaluators/specialist evaluation organisations
- lawyers
- public relations/communications companies
- other consultants.

A small number of funders interviewed use both their own staff and third parties, as appropriate. For example, one funder engaged in capacity building, worked with a specialist social enterprise agency to provide a range of courses on finance and covering costs; managing people; procurement; leadership and governance. It also worked with a specialist charity which it had funded, to help voluntary and community organisations with IT. Another, whose funding plus work includes capacity building, used an agency which provides evaluation training and advice to the sector to run a range of one-day group training sessions for grantees, covering four topics: basic evaluation/monitoring; collecting data; demonstrating outcomes; and effective use of findings. This funder is now piloting follow-up support to grantees after they have attended a course.

IMPLICATIONS OF THE DIFFERENT FUNDER ROLES

Interviewees noted that each of these roles has implications for the power relationship between funders and those they support. Some suggested that if the funder simply acts as such – as a funder – and makes a grant to the grantee in line with its request, the power rests largely with the grantee (subject to the funder's ability to decide whether to offer the support in the first place; the grantee's accountability for proper use of the funds; and the risk that the grantee will tailor its request to suit its understanding of the funder's priorities in the area of funding plus).

“ It's completely blinkered to think there's not a power relationship going on – they've got money and we haven't

— Grantee

For funders that act as providers, the various ways in which this role can be carried out again have implications for the power relationship between funder and grantee. We found that if the funder provides the service directly by using its own grants staff, its power is emphasised through the lack of separation between 'funding' and 'plus'. Grantees described some of their difficult experiences:

'The funder is an external party, so being highly involved can be difficult – they don't always see all the steps that have gone into getting an organisation to that stage... They aren't project managers, they don't do this work and they have very different skills and knowledge to bring. [As a result] this sometimes means explaining, politely, that it's not appropriate!'

'It's hard to say to funders that it's too much, because we need the funding. This is where the power relationship comes into play – because it makes it very hard for the grantee to refuse requests, involvement, etc. especially when it comes from wanting to be helpful.'

'It's completely blinkered to think there's not a power relationship going on – they've got money and we haven't.'

For funders that use their own non-grants staff, the slight degree of separation seems to enable some, albeit limited, honesty and openness on the part of grantees, or on their behalf by third parties.

'My [third party] original purpose has changed considerably... Some projects were in crisis so not capable of using my support and also some aspects of their work were dictated so clearly [by the funder] that there was no room for me to offer development support'.

'I found that the projects I was working with were becoming subsumed by [the funder's] monitoring requirements, which then became the focus of their activities. In some cases the most I could provide was a mediation role – discussing the reports with the funder when they were sent and advocating the project's value'.

Where the funder acts as a facilitator or as a convenor, the funder chooses who is invited to the table, and may also be influential in setting the agenda. Interviews with grantees suggested that, in some cases, what is said at such meetings – if the funder is present – will be influenced by grantees' perception that they need to say what they think funders want to hear and what they want the funders to think.

By acting as a broker, bringing in third parties whom they choose, some funders have been able to achieve some distance between themselves and the funding plus work. This has served to achieve a degree of power equalisation:

'It is the ultimate dream to work with those who provide funding – we [the third party] see it as a chance to educate funders about what they ask of grantees. The relationship with [the funder] allows us to advocate on behalf of voluntary organisations but also to develop the organisations themselves. It's a core part of our work to work on both sides of the fence'.

For funders that enable grantees to choose their own source of help, from an approved list or in some cases using vouchers provided by the funder in lieu of cash, the source of the funding plus work moves further away from the funder. This approach appeared to us to allow for a significant element of power to be transferred to grantees.

Finally, we heard examples of funders acting independently of those they support with grants:

'This approach is a by-product of our size. Part of my [chief executive officer's] time is getting in there and knowing who's doing what – other funders, corporates, the government – and working out how to influence those things in the direction of travel that trustees have determined. The purpose of the work is maximising the impact of change. It's trustee-driven. It's not driven only by grant holders'.

In such cases there appeared to be no direct issues about power in relation to individual grantees.

EXAMPLES OF FORMS OF FUNDING PLUS DELIVERY

Funder acting as funder: Funder A, whose funding plus work includes capacity building, provides additional grants to organisations with which it is already working, when it finds there is an issue which needs some focused work – perhaps on developing a strategic vision, or on evaluation. Staff have delegated powers up to a certain amount for these grants, which are instigated by the grants assessor.

Funder acting as provider: Funder B's funding plus work focuses on capacity building. It also provides advice on further funding; introductions to possible partners; mentoring; and planning help. The funder has a training and development programme which aims to increase the effectiveness of the voluntary sector through courses.

Funder acting as a facilitator: Funder C, whose funding plus work includes a focus on influencing policy/practice, invites grantees and others (including other funders) to discussions about issues it is supporting. This is about dissemination – not a fundraising pitch – but it also introduces organisations to other funders.

Funder acting as a convenor: Funder D uses funding plus work to focus on influencing policy/practice. This funder brings together campaigning organisations, the government, civil servants and others, with the aim of overcoming the gulf between them, seeking to add its tone, reputation and voice.

Funder acting as a broker: Funder E is concerned with capacity building and tries to get organisations to support each other. If it knows that an organisation has a particular problem it refers it to another organisation that has experienced a similar problem and which has managed it well.

Funder acting independently of those it funds: Funder F describes its funding plus as focusing on capacity building on certain issues, as well as influencing policy/practice. This funder does *'things which are independent of its grants but which would be meaningless without the grant-making'*. Sometimes it sits on government committees in order to promote its mission and as part of its organisational strategy – even though its involvement in this specific work has not been the subject of discussion with its grantees.

Examples of funding plus⁶⁵

In this section we offer some more detailed case study examples of different types of funding plus work carried out by study participants: capacity building; influencing work; capacity building combined with influencing.

CAPACITY BUILDING

Inspiring Scotland⁶⁶ (IS): IS exhibits many of the elements of venture philanthropy:

- high engagement with those it funds
- provision of long-term funding for core and service delivery costs
- organisational capacity building
- rigorous evaluation.

There are, however, also differences between IS and other venture philanthropy organisations. It has grown from within the voluntary sector (now independent it was incubated by a respected grant-making trust) and its work is focused on particular themes. It tackles issues to change the social landscape. It is close to government policy but not driven by it, and it builds close links with local authorities to ensure maximum benefits at a local level.

IS runs several funds focused on children and young people. IS was concerned about the significant number of young people who struggle to make a successful transition to adulthood – as a result they end up neither in work nor in education. IS commissioned research to provide an overview of the situation and to suggest how investment might be delivered to realise the ambitions and maximise the talents of voluntary sector organisations working in this field. It also set out some goals for young people who might form the target group. This research provided a baseline for the work which followed.

The research revealed that across Scotland 32,000 young people are neither learning nor working and that 95,000 others are at risk of joining them. It identified the risk factors and the areas where young people are most at risk and indicated the charitable activity (or lack thereof) in those areas. It further specified the type of support/interventions that IS needed to support and how it might collect evidence of success.

IS launched their first fund in 2008, the 14:19 Fund aimed at helping 56,000 young people and facilitating 35,000 moving into employment, education or training over the seven to ten year investment period. In 2010, 2,267 young people completed programmes and employment or enrolled in education and

training. There was a two-stage application process for participation in the Fund; 177 organisations were selected to complete the first stage application form; all received help to do so. From these, 44 were selected to progress to the second stage by IS, with involvement from an independent panel. A rigorous due diligence process was carried out at this stage, with 24 eventually selected by IS and an expert group, with investment level and time frame agreed against each applicant's organisational plan. On average the time frame is between seven to ten years. The release of funds is dependent on achievements being reached as set out in the organisation's own operational plan. Each participating organisation has a Performance Advisor from IS who meets with the organisation regularly and conducts a formal review every quarter, with some additional contact between reviews.

In addition, the organisations receive support with organisational development, this includes attending relevant training or capacity building workshops, sometimes involving all the organisations and on other occasions attended by those involved in particular types of work. Each also receives bespoke input, for example support from a *pro bono* mentor. Assistance with evaluation is provided by a specialist agency. Each Performance Advisor has a case load of several organisations and works with them on financial matters, outcomes and organisational development.

Each organisation receiving an investment is required to produce evidence of results so that the impact of the scheme can be measured. First and second year results show considerable progress in terms of collaboration between agencies, adding value to the assistance given to young people; the number of young people actively involved with the funded organisations; the qualifications and achievements reached by young people; and the number supported into positive destinations.

In its first year, IS invested £6.2 million in the 14:19 Fund, increasing to £6.9 million in the second year. This was raised from private individuals, government, business and trusts and foundations. A total of £9.1 million has been leveraged by the IS investment.

INFLUENCING

Barrow Cadbury Trust⁶⁷ (BCT): The Trust has developed a funding plus approach in order both to build the capacity of the groups it funds and to enable them to better influence policy. It does this by funding research to support views expressed by grassroots groups; brokering opportunities for grantees to share opinions with policy makers; raising awareness of politically sensitive issues identified by groups; and providing training to grantees. It also brings together grantees and stakeholders to discuss concerns and develop networks.

BCT runs several grants programmes, including a criminal justice programme. It has a long-standing interest and a lengthy record of activity in this field. Its current particular focus is the situation of young adults. The question underlying its focus on this group is: *what can BCT achieve with the money it has, but also using its political clout and resources?* In 2005, BCT established The Commission on Young Adults in the Criminal Justice System which produced a ground-breaking report, *Lost in Transition⁶⁸*, on the need for a more effective approach for young adults at risk of entering, or who are already within the criminal justice system. This was warmly received, including by all the political parties. However, progress on the report's recommendations was slow; in 2008 BCT decided to reignite interest in the specific needs of 18–24 year olds by working with like-minded organisations to make real progress in this area. It funded a variety of research, policy development and practical work designed to identify what improvements are needed; to demonstrate how they can be implemented; and to build support for change, including policy change.

Among those funded were three national pilot schemes designed to test new approaches to the supervision of, and support for, young adult offenders. From the outset 13 organisations (increased to 14 in 2010), including practitioner- and policy-focused/campaigning agencies, came together in the Transition to Adulthood Alliance, known as T2A. This meets regularly and has an independent, high profile Chair. BCT is a key figure within T2A; as well as convening and servicing it, it takes part, with others, in the production of reports. It has lobbied policy makers and raised awareness of the needs of young adult offenders with practitioners and statutory bodies. It holds regular events and attends others such as the political party conferences to promote the recommendations of the T2A manifesto. A three-month consultation carried out in 2009 with politicians, policy makers and practitioners resulted in a paper setting out a careful analysis of the problems caused, and faced, by young adult offenders. Twenty-one recommendations for change were made. Later the same year, T2A launched its 'Manifesto', making ten

recommendations for change which could make the way in which society deals with young adult offenders more effective, fairer and less costly. The manifesto highlighted the urgent need for: *'a distinct and radically different approach to young adults in the criminal justice system; an approach that is proportionate to their maturity and responsive to their specific needs'*.

Three evaluations are currently in place, being carried out by different bodies – the first is a formative evaluation, while another is focused on cost-benefits and a third on the outcomes of the pilot schemes.

BCT is the lubricant which ensures that T2A operates, but the members decide on the priorities for the year and are active in carrying out T2A's work. BCT is fully involved, including speaking at conferences, chairing events, attending political party conferences, and meeting politicians and policy makers as appropriate. In addition, it has met most of the costs involved including some grants; the evaluations; hiring a public relations company to assist with a lobbying and a media campaign. BCT and T2A have produced over 25 reports on different aspects of the situation of young adults in the criminal justice system and supporting the different recommendations of the 'Manifesto'. These have had a clear impact on government thinking as evidenced by the Green Paper on Criminal Justice produced early in 2011.

The Diana, Princess of Wales Memorial Fund⁶⁹ (the Fund): The Fund came into being 14 years ago. In 2007, it completed a process that included strategic planning, consultation and dialogue with the voluntary sector. As a result, it published a plan which set out its strategic goals for the next five years, how it proposed to achieve them and how it would measure success. The Fund also confirmed in 2007 that it would spend all of its existing capital within a limited period; in order to do so it changed its way of operating, moving from being a criteria-led grant maker to a proactive one, with ambitious policy change objectives. It adopted a focus on four initiatives, each of which has a desired outcome and a set of strategic objectives to be achieved within a certain time frame – work on cluster munitions; palliative care; refugees and asylum seekers; and penal reform. The Fund adds value in a range of ways to the money it gives by, for example, working collaboratively with other funders and entering public policy debates itself to call for change. In addition to making funding available, it aims to use non-grant assets – anything it can do, which is additional to grant-making and monitoring, that contributes to achieving its objectives.

These non-grant assets include:

Convening – organising/hosting meetings, seminars and conferences with other funders, non-governmental organisations (NGOs), and key policy makers. The Fund might, for example, host a reception or similar event to provide opportunities for campaigners to meet and lobby government representatives or policy makers.

Technical assistance – the Fund offers capacity building help to selected grantees. This includes consultancy and training. It also provides technical assistance – for example, to help grantees to work on evaluation and learning; to co-ordinate joint networking; and to carry out research to inform specific policy areas.

Staff involvement in networks – the Fund is involved in networks through which it uses its voice to contribute to policy discussions. This involvement is independent of the Fund's grantees, although the objectives are the same as those the Fund pursues through its grant-making.

Commissioning research – the Fund sometimes commissions work jointly with other funders and organisations. It also funds research to address core evaluation questions and to help underpin its own policy change goals and those of its partners.

Dissemination – the Fund carries out research on how funders, and other organisations that they seek to influence, learn. It publishes articles and research findings. It hosts and speaks at conferences to disseminate learning. It organises talks at its offices which it calls '*shared learning*'. It invites grantees to make presentations on five questions relating to the work which the Fund is supporting.

Specific activities related to the Fund's initiatives – these might include offering the use of meeting rooms in its centrally located offices to its partners for them to convene and host meetings, contributing towards systemic change.

The Fund carries out a range of evaluations, including formative ones, to see what difference a strategy is making. It also recruits staff with specialist expertise and backgrounds in the areas on which it has chosen to focus.

CAPACITY BUILDING AND INFLUENCING

Trust for London⁷⁰ (the Trust): The Trust carries out funding plus work to add value to its grants and to use its knowledge, resources and influence to further its mission. The assessment visit is a critical part of the funding plus approach, since it provides an opportunity to discuss an organisation's strengths and weaknesses; networking possibilities; and ways in which The Trust might provide the maximum support to enable the issue to be addressed effectively.

The Trust's funding plus 'offer' includes:

Training and consultancy which is designed to strengthen the capacity and skills of funded organisations so that they can improve the quality of their work and ultimately, their outcomes and achievements.

- Training provision includes a rolling repeating programme – delivered by specialist trainers – which equips grantees with key skills around monitoring, evaluation, campaigning and data gathering.
- Workshop training, conducted in partnership with other funders and trainers, is provided for targeted groups to help develop their effectiveness. It currently includes: refugee leadership; women, violence and immigration; creative fundraising.
- Consultancy support is provided for a small number of funded organisations – or some of those in the process of being recommended for funding – which are in need of specialist support and training that is unavailable elsewhere. To ensure that the funding is used effectively, the purpose of the offer is to strengthen the capacity of groups by providing advice and support on a range of organisational issues including: management skills; managing change; resolving conflict; organisational planning; fundraising strategy.

Seminars to encourage organisations to learn from their work and to share this more widely with the sector and policy makers by a variety of means; to increase co-ordination and networking; and to strengthen the voice of those most marginalised in society. Seminars are delivered internally as well as externally with other funders, funded groups and key figures in the field. Approximately four to six learning seminars take place annually on topics emerging from the Trust's grants programmes.

Development work in relation to neglected issues, including the development of an Undocumented Migrants Forum and supporting the establishment of a strategic London-wide Somali organisation.

Commissioning external evaluations and research.

The Trust commissions a number of smaller evaluations. These are focused on individual organisations or small groups of organisations which grants managers identify as particularly interesting or exemplar projects, and which they consider would benefit from an external evaluation. It also commissions research where relevant, most recently on the Latin American Community in London.

Special initiatives. The Trust also develops special initiatives around issues where it wants to make a more strategic impact and, where appropriate, influence policy, practice or public attitudes. These generally have a range of characteristics: extensive background research; clear aims and objectives; a process of inviting applications; an advisory group; a lead officer; an external evaluation; and possible collaboration with other funders. Many of those funded through a special initiative will be offered training and consultancy, as well as help with media strategies. Current or recent special initiatives have focused on Safeguarding Children's Rights; Modern Day Slavery; The London Living Wage; and Tackling Female Genital Mutilation.

Experiences of funding plus

This section of the report focuses on the views of grantees who have participated in funding plus approaches. It includes grantees' perceptions of the funding plus offer and their thoughts about the advantages and disadvantages of such an approach. Grantees and funders do not necessarily share the same experiences, views or perceptions. Quotations from grantees are indicated as such throughout this section.

THE FUNDING PLUS 'OFFER'

We felt that it was important to understand how grantees are made aware of the availability of what it is, in addition to their grants, that funders are offering. Most funders have a 'portfolio' of what they can offer as funding plus, including some of the elements described previously. (This does not include those instances in which the funder acts independently of its grantees, for example, working in pursuit of policy change).

Some funders precede, and base, their funding plus offer on a process of careful analysis and reflection:

'We carry out organisational audits pre-grant, or early on... We take time to understand what organisations need before embarking on the relationship. There are two benefits to this – it gets the organisation to think about where it's going, and it lets us understand where we can best add value'.

For some – especially those who see themselves as involved in venture, rather than traditional, philanthropy – funding plus is an integrated package of financial investment plus additional support, with funder staff having a significant role, through dialogue with the grantee, in determining the required focus of that support:

'I had a lot of business support: with putting in place the right structure; strategy; sorting out stakeholders; building a sustainable model; identifying potential partners. [Funder's staff member] helped with all of this and kept us on track with the original objectives. He also helped with networking, invitations to events, making introductions which turned out to be valuable'. (grantee)

Other funders, particularly those involved in work focused on influencing policy/practice, have rolling programmes of events to which grantees are invited. These include training sessions and workshops, as well as networking events which grantees are encouraged, but not required, to attend.

A number of funders, whilst committed to helping grantees beyond the direct provision of grants, prefer to wait until help is requested, rather than directly offering it: *'Our approach to funding plus activity has been "it's here if you want it" rather than "you've got to have it"'*.

Others, though, especially those with a capacity building focus, adopt a different approach and are proactive in creating specific initiatives in which grantees are invited to participate:

'We funded specialist training and have been able to lure national players to the area. We fund organisations which may be weak because they are often the only service in the area and by helping them to network and directing them to help we can "bring them up to standard". This includes funding management training and mentoring for leaders'.

In most cases, funding plus activities are offered to the funded organisation as a whole. However, there are instances in which leadership training or mentoring is specifically offered to the chief executive of the organisation; or where training in finance or governance issues is offered to Board members, or to specific staff such as finance directors.

GRANTEE EXPERIENCES OF FUNDING PLUS APPROACHES

We asked grantee interviewees about their experience of working with funders in ways which went beyond the receipt of a grant. It is important to note here that we were dependent on funders for details of grantees who we might interview; we indicated to them that we were keen to gather a range of views and experiences. In addition, we were focusing only on recipients of funding plus services, and cannot contrast their responses with those who did not receive such services.

ADDED VALUE

Grantees felt that funding plus approaches provided added value above and beyond the grants made. Generally, grantees' responses were enthusiastic – they were very positive about the kinds of help they had received from their funders, and appreciated the additional input:

'We have found huge value in working very closely with very high-calibre people from the private sector; their input is priceless. The process is like having a guardian and is non-threatening'. (grantee recipient of capacity building input)

'For each funded project there are clear objectives outlined; the grant managers are quite strict about having clear objectives. However, when we felt the outcomes of projects were at odds with the project objectives, they were understanding and spent time discussing this. They understood the value of developing work (including setting realistic objectives and evaluation processes) as they went – learning from the project's progress'. (grantee receiving help with influencing policy/practice)

In particular, grantees appreciated the engagement of their funders, feeling that they understood what they were about and were 'on their side':

'With many donors you are on one side and they are on the other; you don't feel any kind of relationship apart from carrying out the project and reporting on it. They [case study funder] aren't just giving you money for the sake of it, they actually want to engage with you, learn from you, help you learn from others'. (grantee receiving help with influencing policy/practice)

'Because of the high engagement they had there was a high level of knowledge built up about our work which was very helpful and unusual, because it's quite a complex area. Because of this we were able to engage them in helping us to speak to other funders'. (grantee receiving help with influencing policy/practice)

“ If you can develop this kind of relationship then you should go for it hell for leather – it is rare to find

— Grantee

'Our work is long term, bringing about systematic changes, which will later bring other changes. So, there are difficulties monitoring/evaluating this but it also requires funders to be understanding and behind the idea of working toward long-term sustainable change'. (grantee receiving help with influencing policy/practice)

Several grantees said that the funding plus input was as important as the grant itself:

'It was worth the effort, though I might not think so if we had not been awarded the grant, but the funder's process enabled us to sharpen up our thinking. We use the report we wrote for other areas of our work as it provides a clear rationale'. (grantee recipient of capacity building input)

Finally, grantees who worked with venture philanthropy organisations placed especial value on the kind of help they received, often from people with a relevant private sector background.

INGREDIENTS OF A SUCCESSFUL RELATIONSHIP WITH FUNDERS

Personal relationships were a critically important element in positive grantee experiences. Responses seemed noticeably warmer where there had been a relationship with a key individual, as was the case in at least six of our case studies:

'It was like a relationship with friends – there were occasions when we fell out but we came back together'. (grantee receiving help with influencing policy/practice)

'If you can develop this kind of relationship then you should go for it hell for leather – it is rare to find'. (grantee receiving help with influencing policy/practice)

'It is based on trust, mutual understanding of goals and strengths and weaknesses. It is very much a partnership approach rather than a traditional funder/fundee approach'. (grantee receiving help with influencing policy/practice).

Others talked about 'mutual respect', and the importance of getting 'affirmation' and 'appreciation' from a funder. For example, one interviewee (receiving capacity building support) described having been allocated a development officer by their funder for capacity building: '[she has been] brilliant – whenever she came to visit, by the time she left we were always re-motivated'. The development officer had helped to build the staff's confidence in development of the project and had provided extensive advice, either directly or via a network of contacts.

Grantees also value the continuity and depth of their relationships with funders:

'It has been quite an organic relationship of dialogue and mutual analysis and understanding of what's going on... It could have been patronising but isn't because they [the funder] genuinely see it as a partnership and there is mutual respect for each other's work... it is a creative dialogue'. (grantee receiving help with influencing policy/practice)

'We have worked closely with our grants manager but feel the relationship is with whole of the organisation. The chief executive [of the funder] has attended and chaired meetings for us... We have a sense that the whole trust knows about this initiative and supports our work'. (grantee receiving help with influencing policy/practice)

Grantees felt that the lead responsibility for developing a relationship, setting the tone and making it work lies with the funder. Some grantees felt that their funder's particular approach had enabled the relationship to be one of genuine partnership, overcoming the obvious power imbalance. These funders were described as having 'flexibility' and 'availability'; of being 'understanding'; and showing 'generosity with

knowledge and contacts'. Grantees, particularly those involved in funding plus influencing initiatives, valued funders being 'comfortable with uncertainty' and 'willing to take risks'.

ASYMMETRICAL POWER RELATIONSHIPS

However, not all the comments we heard were positive; some interviewees expressed concern about ambiguities in the role of funders in the provision of funding plus help:

'Is it facilitative or controlling?' (grantee receiving help with influencing policy/practice)

'It is easier if the decision-making process is clear from the outset... You cannot always decide by consensus'. (grantee receiving help with influencing policy/practice)

Some concerns were raised about power differences inherent in the funder/grantee relationship. Although most of the grantees interviewed felt that they could be reasonably candid with the funder, some were more uncertain:

'It is difficult to say to a funder "you're mad" or "I think you are doing it wrong"'. (grantee receiving help with influencing policy/practice)

'We would always feel able to say no to a request [from the funder] to get involved but would also be aware that this would adversely affect future funding applications'. (grantee receiving help with influencing policy/practice)

'You cannot remove the funding element completely and people realise there is a risk of damaging the funding relationship if they walk away'. (grantee receiving help with influencing policy/practice)

In one instance, the funder carried out a consultation. It was seen as a useful event involving the funder's trustees and staff, but one grantee said:

'We have struggled to pin down what we got out of it. The purpose of the meeting had been decided in advance. It is good to have a clear agenda but it had already started off with what the funder was most interested in'. (grantee recipient of capacity building input)

“ It's difficult to tell a funder 'you're mad' or 'I think you're doing it wrong' ”

— Grantee

Grantees felt that expectations were not always understood or agreed. They stressed the importance of being clear at the outset about each party's expectations, so that the relationship is not compromised and to avoid the grantee feeling that the funder is 'meddling in their business'. There were instances in which lack of clarity on these matters was seen by grantees as problematic, and several grantees referred to the importance of keeping a balance between the funder interfering and the funder adding value:

'They didn't try to interfere in implementation, it was about adding value to what we did and facilitating further possibilities for our work. Other funders interfere and micro-manage but this was not the case at all'. (grantee receiving help with influencing policy/practice).

Some grantees found it difficult when they thought funders were too demanding of their time and input in the context of funding plus; for example, one grantee described their funder as 'needy':

'Everything they say is worth thinking about. However, sometimes they will suggest a "little" thing without understanding actually it is much bigger and complicated than they realise'. (grantee receiving help with influencing policy/practice)

'If every funder had this level of engagement it would take too much managing... grantees value a proper relationship with funders so feel it's important to give time to cultivating and managing it – this means that the grant needs to be substantial enough to make the time involved worthwhile'. (grantee recipient of capacity building input)

Others, though, were more understanding of this highly engaged relationship if the grant itself was substantial:

'[funder name] is a high tariff funder but they have put their money where their mouth is... others give less and expect much more'. (grantee recipient of capacity building input)

THIRD PARTY EXPERIENCES OF FUNDING PLUS APPROACHES

Where they were used, we sought to interview two or three 'third parties' in each case study organisation, that is, individuals involved in delivering funding plus activity on behalf of particular funders.

Many of the third parties we interviewed spoke warmly of the funders with which they had worked. As with grantees, personal relationships, trust and continuity were identified as key issues:

'[Funder name] were real partners, not stuffy or bureaucratic but were proper'. (third party working with grantees receiving help with influencing policy/practice)

'I've been working in this area a long time. It has been stable and unchanging so I've been able to provide support and develop strong relationships. It is about continuity, and relationships are crucial'. (third party working with grantees receiving help with influencing policy/practice)

'[Funder name] is a learning organisation, very open to new ideas'. (third party working with a funder on capacity building and on influencing policy/practice)

However, comments were not always so positive. Some we spoke to had difficult experiences, largely because they felt they were caught in the middle of grantee/funder relationships, with a lack of clarity regarding the expectations of their roles:

'It has not been a comfortable relationship... I am really walking a tightrope between doing what is asked of me and being constructively critical, all while trying to maintain confidences and relationships'. (third party working on capacity building)

'Funders and grantees rarely accord in what is required of a consultant'. (third party working on capacity building)

'As a third party, I have influence without control'. (third party working on capacity building).

The cost of delivering funding plus

Although funding plus work is clearly not cost-free, very few interviewees could give us any precise details about costs, beyond confirming that the major cost category is staff time. Five examples of delivery costs (most are estimated) are outlined below (in some cases actual costs are detailed and in others the figures are extrapolated from overall project budgets):

Funder A has a 'learning fund' of £50,000 per year and estimates the cost of staff time spent on funding plus as approximately £25,000 per year. Funding plus activities include: networking; exchange meetings; the production of publications; the costs of events for grantees; seminars and conferences; and independent evaluation of five per cent of grants.

Funder B – one programme costs £60,000 per year (from a £1 million grant programme) and staff time of two weeks a year. There is also a £35,000 annual budget for staff use – this includes paying for consultancies and work with grantees.

Funding plus activities include:

- bringing together grantees working in particular fields to review strategy and encourage joint working, sometimes supported by commissioned research
- setting up its own small initiatives
- occasionally adding money to its grants to enable organisations to develop particular skills or competencies
- offering professional help using third party organisations.

Funder C spent £320,000 in one year on 185 small (less than £2,500) training and development grants, and commissioning nine third parties to deliver training and development. These grants are to provide bespoke support to organisations on capacity issues such as strategic planning, marketing and governance. They are part of a dedicated programme to increase the effectiveness of the voluntary sector through courses, support to develop skills competencies, and investments in its infrastructure. The work is focused on individual grantees as well as on the particular fields which are the subject of the funder's grants programmes. The funder has developed initiatives on quality assurance and professional development and provides training for staff, volunteers and trustees. It also provides independent research and analysis, and space for organisations to learn from each other.

Funder D – a venture philanthropy funder – has calculated that it costs £749 to process a grant. In 2009/10, it spent approximately £3.5 million on support to grantees, including the costs of the grants. Grantees receive a complete tailored package of money, training, advice and networking opportunities at every stage of their project. The funder also arranges *pro bono* support from leading professionals and companies and offers intensive support and mentoring to the most promising individual grantees.

Funder E estimates its funding plus work to cost eight per cent of their annual income of approximately £7 million. This includes the cost of intensive staff input to each individual grantee; bespoke training, consultancy, advice and support for individual grantees; and generalised training/workshops for all those in a particular field of work.

Recent research by the Department for Culture, Media and Sport (DCMS), comparing the operating costs of lottery distributors with those of other government funders and grant-making trusts, draws a distinction

between what it described as ‘charitable foundations with additional front-line activities’⁷¹ (i.e. funding plus) and ‘charitable foundations without additional front-line activities’. Discussions of this research have noted that, among the charitable foundations, those with additional frontline activities generally had higher cost-to-income ratios than those without, although there were a few exceptions. However, the organisations that spent the most per grant also had the highest average grant.

Although it seems apparent from our findings and the above research that a great deal of effort and considerable resources are invested in various approaches to funding plus work, significant gaps remain in our knowledge about its cost.

The benefits and success of funding plus

It was difficult to gather concrete data about the success of funding plus initiatives. Much of this work is, by its very nature, slow and intangible. Attributing outcomes – whether for organisations or around policy and issues – is difficult, as there are so many variables, over and above the inputs made by funders. Funding plus activities that are specific and amenable to measurement may generate useful data; but there is a risk that these might then be assumed to be the only worthwhile types of activity.

METHODS USED TO EVALUATE THE BENEFITS OF FUNDING PLUS

Despite these difficulties, interviewees working in funder organisations identified a range of ways in which they felt they were able to find out whether their funding plus work was being effective. Almost all funders in our study were involved in some kind of evaluation and learning activity, including:

- commissioning evaluations of individual grants or of wider initiatives: ‘We use anonymous surveys and evaluation forms to find how much the network staff is valued by the grantees’.
- funding grantees to carry out evaluations themselves
- requiring at least five per cent of grants to be monitored and evaluated by an independent evaluator
- carrying out reviews themselves of all the work within particular themes
- commissioning evaluations of strategic programmes

- holding annual monitoring meetings of all those involved with funded work in particular themes
- organising evaluation meetings at the launch and closure of each project
- using development officers to monitor all funded and unfunded projects.

Funders have also commissioned surveys. In a very few instances, UK foundations – including two of our case studies – have commissioned the US Center for Effective Philanthropy to carry out a ‘Grantee Perception Study’⁷².

We found that case study funders describing themselves as venture philanthropists tended to use robust financial indicators as their means of assessing success; one venture philanthropy fund looks for 90% of its loans to be repaid, and for informed demands by its investees, as two indicators of success:

‘Because people are not financially literate, they do not understand a balance sheet or reserves or the difference between revenue and capital’.

Other funders used less systematic ways of understanding success. Some referred simply to anecdotal evidence, the reports they received from grantees, or the contact they had with them, sometimes through the medium of visits by trustees. Others felt that the continued existence of grantee organisations beyond the period of the grant was itself an indication of the success of funding plus efforts aimed at building the capacities of those working in those organisations:

‘We see the work as successful if it leads to locally based/self-help type groups in disadvantaged areas or marginalised groups of people being left with improved confidence, skills and voice; and to sustained levels of activism and impact/engagement in local level policy shaping, even after the funding has gone or been substantially reduced’.

Without that input, several said, some of these organisations would not have survived. For one funder, an indication of the success of its funding plus work could be demonstrated by its Board and staff now having a shared understanding of the importance of working in an engaged way with grantees.

We found one instance of a funder, engaged in both capacity building and influencing work, which has a comprehensive programme of feedback, evaluations and electronic surveys aimed at ensuring that it learns about the extent to which its various funding plus activities are successful. The outcomes of all of these are drawn together in a periodic review:

'We have an organisational evaluation plan and high level outcomes. Evidence of what succeeds is provided through a mixture of evaluation reports... We can show tangible results, point to success and added value. There is also instant evaluation of training and seminars and we issue a form to evaluate consultancies.'

EXAMPLES OF THE SUCCESS OF FUNDING PLUS

As well as examining these ways of measuring, or evaluating, we also asked interviewees about their perceptions of the actual success of particular funding plus initiatives. The following comments from funders engaged in capacity building are illustrative:

'We hadn't considered community self-confidence and seeing the knock-on effects of organisations having the energy and passion to see the need in their community and not waiting for someone else to come along and do it. It's not necessarily about the money but having a funder who believes in them.'

'The money for grants is small but lots of the organisations move on to be sustainable and stronger [as a result of funding plus]'.

'[Funding plus] is about long-term survival of organisations – not about money but managing themselves to sustain and take forward their work'.

Some funders highlighted indicators which they felt suggested a degree of success. For example, one funder had brought together trusts and city law firms with an interest in legal advice and, as a consequence, had significant influence over government policy in relation to an important advice agency whose continued existence had been threatened by government cuts. The rescue could clearly be seen to have arisen from an initiative taken by the funder. In another example, grant managers pointed to improvements in the 'big picture' – for example, in the field of domestic violence – believing that its work had contributed to change. Similarly, three funders who had been involved as active partners in specific campaigns pointed, respectively, to the achievement of the campaign's immediate legislative goal; to statistics which indicated some success; and to increasing interest in the issue on the part of government and influential bodies in the field.

Several funders, engaged in capacity building funding plus activity, described what they saw as real progress in individual grantee organisations:

'On a micro level we can see individual organisations getting stronger, more confident, bigger. Where we have put in management training and money the results can be really good'.

'On a case-by-case basis one can observe the success of specific interventions that had a certain objective'.

“ If you want to strengthen your organisation, then go for it. If you want to ensure your organisation will survive over the long term, go for it

— Grantee

'We know we are succeeding because of feedback from the groups. Some groups have grown and have become social enterprises'.

For one funder, whose funded groups are helped to monitor and evaluate their grants, its learning seminars show that organisations have improved in their reporting. Another (venture philanthropy) funder described the achievement of specific financial targets by supported organisations.

GRANTEES' VIEWS OF THE BENEFITS OF FUNDING PLUS

We described earlier grantees' views of the added value that funding plus provided to the financial support offered by funders. When discussing the more general benefits of the funding plus help they had received from funders, most were very positive:

'[Funding plus] introduced us to a range of opportunities we would not otherwise have had: introduction to evaluation support; pro bono mentoring; financial advice'. (grantee recipient of capacity building input)

'[As a result of funding plus] we are more sophisticated, more focused and aware of what is measurable and when to put systems in place so we can measure difference'. (grantee recipient of capacity building input)

'If you want to strengthen your organisation, then go for it, if you want to ensure your organisation will survive over the long term, go for it'. (grantee receiving help with influencing policy/practice)

'The benefit was that the way it operated and who it involved created a dynamic interest in [the target group]. It did not always all hang together but it was an interesting idea to get together all the different agencies'. (grantee receiving help with influencing policy/practice)

'We have taken lessons back that we have learned from others. The relationships and the networking have been very helpful and also the dissemination of material and events has meant that we have had good exposure. We have benefited from contact with government and from being mentioned in government circles'. (grantee receiving help with influencing policy/practice)

The risks and challenges of funding plus

RISKS OF FUNDING PLUS APPROACHES

We asked interviewees about the risks of funding plus approaches. A number of risks were identified which are summarised below.

First, there is a risk that by broadening out beyond grant-making and engaging in funding plus work, a funder may lose its sense of focus or purpose, forgetting, perhaps, that its principal *raison d'être* is to make grants. As one interviewee commented: 'Some trusts have drifted off too much by way of funder plus work and have become airy fairy'.

If a funder 'drifts' into funding plus work without careful thought and planning, then it may do so without an awareness of the real costs of the move, both in terms of opportunities and money. As one interviewee said: 'The key risk is how you assess the opportunity cost of working like this. You could spend more on grants'.

As indicated above, there are also risks in using approaches that are difficult to evaluate or justify in terms of impact.

“ You need to be really clear why you are doing it. Is it useful to the grantees?

— Funder

Where funding plus approaches focus on influence/policy, it is likely that the funder will need to engage with those close to the political process. For trustees of a charitable organisation, this can be a cause for concern:

'The risks are it exposes you more as a funder... there is the possibility of media exposure and the risk that the trustees might shy away'.

Finally, once a funder demonstrates its willingness to do more than make grants, there is a risk that its grantees will want to exploit this to the full and to pressurise the funder to do more in this area – the more you do, the more there is pressure to do yet more.

Findings from this study also identified risks for grantees; mostly that of mission drift as a result of pressures to engage in time and resource intensive funding plus activity:

'There is a danger of the tail wagging the dog. The challenge is not to get too far from the original purpose and there is a danger of following the money'. (grantee receiving help with influencing policy/practice)

CHALLENGES OF FUNDING PLUS DELIVERY

THE RESOURCES NEEDED BY FUNDING PLUS

There was significant agreement among funders about the challenges of delivering funding plus. Chief among these is the time – usually staff time – it takes to commission reports, manage consultancies, and to convene/ broker and establish good relationships.

Funders are constantly faced with the knowledge that time, and therefore money, spent in this way is time/ money not spent on grants or on the grant-making process. Against this background, trustees need to be assured that the work is effective and mission-related.

The demands made on staff are also challenging; there is a consequent pressure on funders to find people who have the energy, skills and experience to manage these demands: 'This way of working is exhausting but it is delightful to see people taking off'.

THE NEED FOR CLARITY OF PURPOSE

Less tangibly, funders emphasised the importance of being clear about the purpose of funding plus initiatives; how they work; appropriate roles and boundaries; and expectations:

'It is important to be clear at the start about expectations, especially in relation to partnership stuff'.

'People have no idea about what the options are – they don't know what you mean by 'adding value'... They say "we were grateful for the money and you were fabulous". Afterwards they say – "it would have been really useful to know that you could have done x"'.

'You need to be really clear why you are doing it. Is it useful to the grantees?'

'The biggest challenge has been articulating the importance of the development function of our work. It's a development programme; grants are just oil in the wheels to enable us to provide constructive help'.

Some noted the challenge of knowing how far to go – when to stop so as not to transgress proper role boundaries, or to develop dependency:

'There is a danger of building up dependency. We worry that sometimes we might have trouble disentangling ourselves when another grant application comes in.'

SHARING THE LEARNING

Interviewees identified another set of challenges around the need to gather and share learning; to understand the extent to which initiatives are effective; and to identify the value added by funding plus approaches:

'There is a risk that evaluations cannot generate the evidence for change on issues... It is difficult to capture shifts in attitude.'

THE LACK OF A SHARED LANGUAGE

Interviewees also expressed frustration at the lack of a common, shared language to talk about funding plus:

'There is a lack of language, a framework to talk about funding plus – it would be much easier if this existed.'

'We didn't tell them [grantee] at the start that there was going to be this dimension of funding plus work. This led to massive frustration as we didn't have a common language to talk about it. They [grantee] talked about activities; we [funder] talked about strategy and tactics. An evaluator helped us find a common language.'

THE QUESTION OF OWNERSHIP

Finally, the challenge of growing and sustaining the approach was also highlighted. A number of interviewees felt there is a danger that some funders, given the power imbalance, might take credit for outcomes from the groups with which they were working (this was particularly the case in the context of those funders whose funding plus work is principally about influence):

'Who owns the outcomes?'

'Whatever the ideology of members [in the partnership] there are pragmatic realities, for example... whose name will appear first?'

MITIGATING RISK AND OVERCOMING CHALLENGES

We asked about ways in which risks and challenges could be mitigated, and about the kinds of safeguards deployed by funders using funding plus approaches.

Interviewees identified various ways of reducing risk, including: trustees and the grants team being closely involved in internal discussions about funding plus; and creating clear boundaries between the staff dealing with grant-giving and the staff delivering funding plus activities (this is particularly the case for capacity building):

'One key is the fact that the person dealing with funding plus work is separate to the decision maker on grant-giving – this gives greater freedom and independence and enables relationships established to remain even when an organisation does not get awarded a grant.'

Other funders felt that regularly reviewing risks, or carrying out periodic evaluations, are ways of identifying and mitigating risk:

'We do a review at the midpoint of our grants programmes, where we look back at everything funded/done and put it all into one document. For the current review we included a section on funding plus which covered training and consultancy; funding-related activities; monitoring and evaluation.'

For some engaged in influencing work, the making of grants is simply one aspect of a strategic programme involving a range of partners. Specific budgets are used to drive forward and deliver on the partnership strategy (initiated by the funder, but then developed and owned by the wider partnership). The funding is allocated to the partner (or other party); any subsequent evaluation focuses on the achievements of the partnership.

Discussion

In Part Three of this report we set out the findings from our interviews in relation to the first two aims of the study:

- To identify and analyse the core characteristics of a range of different approaches to 'high engagement funding' by UK charitable foundations.
- To identify the principal benefits, challenges and risks of these approaches, from the perspectives of grant makers, grant recipients and third parties involved.

In this final part of the report, we discuss the implications of these findings for future developments in this field, addressing in particular the third aim of the study:

- To generate practically useful learning about this approach and form of funding commitment, for charitable foundations and the wider voluntary sector.

Our primary audience here is trusts and foundations interested in thinking about the introduction, further development or refinement of funding plus practices.

We begin by summarising what we have learnt about the different elements of funding plus. We then focus in particular on the following:

- The purpose of funding plus
- The delivery of funding plus
- The success of funding plus
- Assets, responsibility and power.

Our discussion builds on the study findings set out in Part Three, as well as our own and others' previous work in this area. It concentrates on the more challenging aspects of funding plus, with a view to encouraging more informed and grounded debate and practice, both by those already active in this area, as well as those newer to the field.

What is funding plus?

At the outset of this report we offered a working definition of funding plus:

All those activities in which funders engage, or have the possibility of engaging in, to support and work alongside those they fund – whether those activities are about developing the skills or competencies of grantees; helping to influence policy and/or practice alongside grantees or on their behalf or independently; or something else.

Our findings have highlighted a myriad of activities and approaches which are regarded, by both funders and grantees, as funding plus. It is important, therefore, that the practice of funding plus is understood to be both emergent and ambiguous. Its boundaries are not fixed, nor is its meaning. There are activities cited as funding plus by some funders which others might see as characteristics of 'good grant-making'; these include the provision of exceptionally detailed guidance and pre-application help. Such practices might be usefully described as 'funding better' rather than funding plus: they help to ensure that the funding offered is soundly based, but do not add anything to that funding beyond the money itself.

The distinctions between 'good grant-making' and funding plus might be conceived of as a series of characteristics and interventions at different points in the funding cycle. It was generally accepted by our interviewees (with the exception of those engaged in the practice of venture philanthropy) that pre-application help and guidance was an essential component of 'good grant-making'; it was not, however viewed as an additional activity. Likewise, efforts to pool funding for projects, or to develop initiatives for specific groups or sub-sectors of organisations, were regarded as being examples of more engaged and thoughtful funding, rather than funding plus activity. From this, we might tentatively conclude that all stages of the practice of making grants, however engaged and sophisticated, fall outside the broad tent of funding plus.

With a few notable exceptions, organisations that have been awarded grants are the priority for funding plus, through the provision of activities aimed at strengthening them – for example: support, learning and skills development – or their cause, for example: lobbying, networking and influencing (even if, in some instances, the funding plus work is undertaken by the funder independently of grantees themselves).

Thus, although the aim of this study was not to produce a standard definition, our findings do allow us to refine our understanding of funding plus and suggest that it might, loosely, be understood as:

Any activity which is additional to a grant and the grant-making process (albeit that the activity might itself be accompanied by some kind of financial investment or might be independent of specific grants or grantees).

SUMMARY - WHAT IS FUNDING PLUS?

- The field of funding plus is both emergent and ambiguous. Its boundaries are not fixed, nor is its meaning.
- All stages of the practice of *making grants*, however engaged and sophisticated, fall outside the broad tent of funding plus.
- Funding plus might usefully be understood as *Any activity which is additional to a grant and the grant-making process (albeit that the activity might itself be accompanied by some kind of financial investment or might be independent of specific grants or grantees).*

The purpose of funding plus

Our findings on the drivers and purposes of funding plus suggest that the practice has come about in different ways in different types of funding organisation. Building on the findings set out in the sections on purpose and drivers in Part Three, we can identify three broad groupings of funders engaged in funding plus. These groups might usefully be understood as being distinguishable by two factors: *first*, the extent to which the change being sought by funding plus is determined by the funder or the grantee; *second*, the extent to which the model of delivering funding plus is controlled by the funder or the grantee. Each group, it should be stressed, has both strengths and weaknesses.

For funders operating in complex external environments and subject to pressures from grantees, governments and other actors, the purpose(s) of funding plus can vary. Far from being a fixed aspect, our study indicates that purpose, if it is articulated at all, is dynamic and may be subject to debate and disagreement.

FUNDING PLUS AS AN EXPRESSION OF ROOTS AND VALUES

For some, funding plus can be understood as an expression of funders' roots and values. Funders which have funding plus as part of their DNA because of a strong, shared moral, religious or family root or a strong sense of vision and mission regard it as '*just something you do*'. It is also an effective way for funders to keep learning about the issues with which they are concerned, and to stay in touch with developments and practice within the sector. For this group, funding plus is intrinsic to their grant-making and how they relate to grantees; it is generally, but not exclusively, focused on influencing work and collaborating with grantees and others for structural change. There is often little, if any, distinction between the grant and the 'additional' activity, and investment is very much determined by the fit between the missions of the funder and prospective grantee. In this model of funding plus, there is a premium on co-design and collaboration between funders and grantees; it fits closely with the concept of an 'empowerment model', which focuses on '*strengthening people's ability to carry out their own purposes and aspirations*'⁷³.

THE PRACTICE AND INFLUENCE OF VENTURE PHILANTHROPY

For venture philanthropists, or those adopting elements of venture philanthropy practice, funding plus is also intrinsic from the outset: for them, it is as important as the money. The model of investment is built around an integrated package of financial investment and organisational support. This group has a fairly fixed view about both process and outcomes; selection of grantees is determined by an organisation's potential to fulfil the funders' expectations and requirements. In this model, there is perhaps less scope for grantee involvement in the design or delivery of support. As such, it can be viewed as a more directive and instrumental approach, and might be described as more of a 'deficit model', which aims to increase an organisation's capacity to deliver in line with agendas that are important to the funder⁷⁴.

FUNDING PLUS AS AN EXTENSION OF ENGAGED RELATIONSHIPS WITH GRANTEES

The third group to emerge from the study comprises funders who, generally, have always sought to have engaged relationships with their grantees. For this group, additional activities are another tool in the funder's box, to be activated in response to needs or opportunities, often in order to strengthen grantees so that grants might be better spent and achieve more; and at other times to support grantees to make more of a difference in their particular field. Here, funding plus tends to be more enabling and less onerous. However, practice across this group does vary considerably; as such, funders that fit this description might, at different times and for different initiatives, operate both empowerment and deficit models of funding plus.

EXTERNAL DRIVERS

In addition to the factors that have driven the practice of funding plus from within trusts and foundations, we can also highlight different external drivers. *First*, external pressure may be applied from grantees, often in response to the perceived failure of infrastructure organisations set up to provide this kind of support⁷⁵. For example, the emergence of bespoke organisational support programmes can, in part, be explained by the shortcomings of other capacity building initiatives. Pressure may also come from grantees in response to their own difficulties in securing access to policy makers and politicians for lobbying and campaigning work. *Second*, there is also a competitive pressure; even amongst the relatively small number of funders covered by our study, there are some which have sensed that funding plus is fashionable, and that the trusts and other organisations which work in this way (across the two broad categories of activity identified in this study) are widely seen as leaders in the field. *Third*, funding plus work aimed at influencing policy may, in part, be explained by the audience for this work (in particular, politicians, policy makers and the media) being more receptive to trusts and foundations than to other voluntary sector bodies.

THE CHALLENGE FOR FUNDERS

This analysis of our findings confirms that funders do vary in their motivations and goals for funding plus. While the aim of this study was not to ascribe value to different purposes, we can highlight the need for funders to be conscious and transparent about their interests. To achieve the desired degree of consciousness about funding plus, funders may need to ensure that there is a degree of clarity, both internally and externally, about the overall purpose of their grant-making. This might lead to a more thorough consideration of what funders hope to achieve through that grant-making; their entry point and aspirations for funding plus; and, in turn, the appropriate models and relationships required to achieve their goals.

SUMMARY - THE PURPOSE OF FUNDING PLUS

- The purpose of funding plus, if it is articulated at all, is dynamic and may be subject to debate and disagreement.
- Funders fall loosely into three groups: those for whom funding plus is intrinsic to grant-making, and is viewed as an expression of roots and values; those who are, in principle, committed to engaged and supportive relationships with grantees; and those practising or influenced by venture philanthropy.
- The practice of funding plus is also shaped by peer pressure, grantees and public policy.
- Along the spectrum of funding plus models, from deficit to empowerment, funders might need to develop a greater degree of care, consciousness and transparency about their motives and interests.

The delivery of funding plus

Building on the findings presented here, and drawing on our own earlier work in this area, we can concur with and affirm the view of one of our interviewees: '*How you do it matters*'. In addition to the importance of achieving and articulating a purpose for funding plus, we can identify five over-arching factors which may be viewed as essential pre-conditions for the success of funding plus activity, regardless of its purpose, or approach.

THE IMPORTANCE OF FUNDERS HAVING GOOD KNOWLEDGE OF WHAT AND WHO THEY FUND

First, we can point to the importance of funders having good *knowledge* of the issues which are the focus of their funding plus work. In terms of subject matter, it would seem that it is the sharp focus of some funders which enables them to operate effectively. Where a funder works on tightly defined issues, it can employ staff with appropriate knowledge and experience; it can more easily establish legitimacy in the eyes of grantees, and it can develop a more sophisticated understanding of the field, enabling it to make better judgements about what is needed. Conversely, a failure to operate in this way can severely restrict the usefulness of funding plus.

THE IMPORTANCE OF INTERPERSONAL RELATIONSHIPS

Second, solid and consistent *relationships* need to be established and maintained between grantee organisations and funders, and not simply between individuals within them. Several grantees named particular individuals in the funding organisation with whom they had established a strong relationship. These relationships were facilitated by a high degree of emotional intelligence on both sides; the personal chemistry was clearly a significant factor in the way in which funding plus worked. By the same token, there were instances in which the departure of a key individual from the staff of a funding organisation, or behaviour that was perceived as over-bearing on the part of the funder, had led to a perceived weakening in the strength of relationship between the funder and grantee.

THE IMPORTANCE OF LINKING PURPOSE, DESIGN AND DELIVERY

Third, we can also highlight the importance of *coherence* in funding plus work. Earlier research on capacity building in this area has confirmed that a mismatch between means and ends severely restricts the potential for achieving change⁷⁶. Our study findings suggest that the most effective way of achieving a *connection* between purpose, design and delivery across the full range of funding plus activities is to ensure a high degree of *collaboration* between all major stakeholders – funders, providers and beneficiaries – at all stages, from preparation to evaluation. In this way, an effective and co-ordinated triangulation of actors, aspirations and processes might be achieved.

THE NEED FOR GRANTEES TO BE READY AND WILLING

Fourth is the issue of the readiness and willingness of participating organisations. In relation to capacity building, for example, earlier research suggests that increasing organisational capacity is contingent upon enhancing an organisation's ability to learn and that 'readiness' to learn is linked to organisations having a clear vision of their change agenda⁷⁷. Linked to the issue of 'readiness' – previously identified as a key challenge in new models of 'high engagement funding'⁷⁸ – our findings also raise questions about suitability for engagement in this type of initiative, an area largely neglected by earlier research. Trusts and foundations may need to consider whether funding plus should be targeted at those organisations that not only feel that they have a clear need for support (either capacity building or work around influencing), but also have the resources (time, energy and people) to participate. This highlights again the principle of partnership between funder and grantee⁷⁹.

For funders engaged in influencing work, where there may be more likelihood of joint working over longer periods of time, more attention might need to be paid to organisations' ability and willingness to engage in collaborative relationships. Our own recent work in this area has revealed the complexities and challenges of collaborative working, and the need for sustained support and investment⁸⁰.

THE BENEFITS OF BESPOKE AND APPROPRIATE INTERVENTIONS

Fifth, assuming the kind of targeted and integrated approach to preparation discussed above, our study confirms that the potential for securing real benefits from funding plus depends upon a further element of the process: the focus and method of the funding plus intervention itself. Those organisations in our study which received capacity building support that was attuned and relevant to their own concerns and circumstances pronounced themselves very satisfied. However, we also found examples of interventions which were regarded as less helpful on account of being directive, interfering or burdensome. Particular issues can arise where the funding plus work is about influence. If a funder intends to play an active part in pursuit of a cause which is also being pursued by those it funds, it needs to take great care in how it communicates this intention. Funders involved in work to influence government policy, for example, may be perceived as moving beyond grant-making into territory which frontline organisations see as their own. They may also risk being viewed as overly preoccupied with their own profile in the funding plus work, possibly at the expense of their own grantees. Such a scenario - where the grantees meet the needs funders, rather than the other way around - risks having a damaging effect on relationships.

POSITIVE ATTRIBUTES FOR CARRYING OUT FUNDING PLUS

Finally, drawing on earlier research, we can identify two essential attributes for those responsible for carrying out funding plus that might address these concerns. *First*, consistent with the idea of 'cultural fit'⁸¹, there needs to be a particular understanding of the challenges facing grantee organisations of different size or function or setting; in this way, the needs of grantees might be privileged above the agenda of their funders. *Second*, recognising the potential pitfalls of 'standardisation'⁸², there may be a need to avoid being prescriptive about solutions and instead offer more individually negotiated packages of support identified by other research on the activities of foundations⁸³. The concern is not that funders should not have their own mission and goals, but that they need to exercise care in how they pursue their agendas.

SUMMARY - THE DELIVERY OF FUNDING PLUS

- How you do funding plus matters.
- Funders need good knowledge of grantees: their field, circumstances and concerns.
- Strong relationships and communication between funders and their grantees are vital.
- Achieving coherence between the purpose, design and delivery of funding plus can assist enormously.
- Funding plus is not appropriate or worthwhile for all grantees; for it to work, they will need to be ready and willing.
- There are real benefits from avoiding prescriptive and standardised funding plus work; more bespoke approaches are a potentially effective alternative.
- Funders should be careful about the way in which they pursue their own goals.

The success of funding plus

A number of our interviewees struggled to describe, or provide evidence of, the difference made by their funding plus activity. One possible explanation for the relative lack of data in this regard may be the absence of much prior thought by funders about what they want to achieve, what change they want to see and therefore what success would look like. In such circumstances, there is then little effort to capture at the outset any data which might enable judgements to be made later on. Given our earlier observations about purpose, it is not altogether surprising that practice in this area may, for some funders, be somewhat under-developed.

In the context of funding plus work which is principally about achieving change⁸⁴ in policy and/or practice, we found a few examples of funders having an explicit theory of change which could enable them to have a benchmark against which to make an assessment of progress and success. These funders understood evaluation as being concerned with learning, as well as performance and reporting. Such reflective practice has the potential to benefit both the funder, through the generation of learning about its strategy and behaviour as a funding plus grant maker, and the grantee, through the generation of learning about their own practice. Funders for whom funding plus is carefully thought through and intrinsic to their approach to grant-making appear more likely to have developed methods for assessing change, and to be more comfortable with the uncertainty of intangible outcomes. Furthermore, such

funders seem more open to a degree of risk-taking in their funding plus work, comfortable with the fact that outcomes may forever remain intangible and largely hidden from view.

For those funders less engaged with theories of change, it should be stressed that identifying the nature of success in relation to policy change is hard. *First*, the concepts of outcomes and 'impact' are themselves ambiguous and contested. *Second*, the kind of intangible or 'soft' outcomes that some of our interviewees were seeking are intrinsically hard to measure. *Third*, even if a hoped-for change is achieved, in a dynamic and heavily populated policy environment, there are real difficulties with attribution. Although these problems are not unfamiliar, we found evidence of funders not having thought the issues through before embarking on this aspect of funding plus work. This suggests a possible support need for funders themselves.

For funding plus interventions focused on capacity building, indicators of success generally related to the particular skills on which the funder had concentrated. However, as with work around influence, we found only a small number of examples of any systematic approach to thinking about, planning and implementing systems to capture evidence of change in funded organisations.

Where funders do try to evaluate their funding plus initiatives, there is little evidence from our study (with a few notable exceptions) that they then take the opportunity to learn from and act on the outcomes of the evaluations or, indeed, share this learning with grantees and other funders. To this extent, there does not yet appear to be a widespread culture of 'strategic learning'⁸⁵ in the field of funding plus.

How far this matters is debatable. The requirements and restrictions placed around the accountability for public funding do not transfer automatically across to charitable investment. There is, therefore, a license to operate and act independently and, if appropriate, place low demands and expectations on outcomes and impact. In addition, the effect of much of the work carried out through funding plus may be quite intangible and remain largely invisible.

This attitude, however, may not be sustainable in the context of external economic pressures, from the worldwide recession, and more recent policy demands, in relation to the coalition government's interest in impact and assessment. For example, the 'Giving Green Paper' supported: '*the efforts being made by charities, community groups and social enterprises to identify more effective reporting on social impact*' and acknowledged the complexity in this area⁸⁶. The subsequent White Paper suggested that organisations in the field were looking to: '*articulate the benefits*

of their activities in a clear, comparable, numerically robust way⁸⁷. This principle can guide organisations and funders to ways of working together that will produce meaningful results for the organisation to act upon at the same time as meeting accountability requirements to the funder.

The pressure to capture and demonstrate the difference achieved by work carried out through funding plus may, therefore, increase. In responding to this, funders might heed the conclusions of recent work in this area to develop assessment processes which have a clear rationale and purpose, as well as being jointly owned with grantees⁸⁸. Those funders that have developed ways of articulating their often significant successes may need to become more visible and vocal if practice in this area is going to develop.

SUMMARY - THE SUCCESS OF FUNDING PLUS

- Funders that have developed theories of change about their funding plus work benefit from the practically useful learning that their subsequent evaluation activity generates.
- Practice in this area is under-developed; likewise the sharing of knowledge and learning within and between funders and grantees.
- Although much funding plus work cannot be easily measured, and accepting that outcomes and impact remain contested terms, funders may face pressure to do more. Should that happen, they may wish to prioritise assessment processes that are appropriate, worthwhile and proportionate, focusing more on contribution than attribution.

Assets, responsibility and power

Our study has confirmed that many trusts and foundations have significant and extensive assets, many of which play some kind of role in funding plus. In addition to money, these assets include: buildings; knowledge and skills; contacts; high-profile brands; leverage and convening power; and legitimacy. Each of these, at different times and in different ways, has the potential to be useful to grantees. In the current economic and policy context – one in which many of the grantees of the trusts and foundations covered by this study will struggle to survive – it can be argued that funders have an enhanced responsibility to use these assets to the maximum effect.

That does not mean, necessarily, that all funders should be active in funding plus. For example, our findings in relation to the transaction costs of funding plus have implications for smaller funders. It may be that small grant makers with, say, only one or two executive staff members may find it difficult to resource funding plus activity properly. Even where additional activities are carried out by third parties, the process of identifying, commissioning and holding to account such people is demanding of time and skills. However, regardless of size, it would seem reasonable to expect all funders to engage in debate and discussion about the use of their assets.

Such a debate will, in part, need to be framed by an acknowledgement of the significance of power. Whatever funders and grant seekers – whether successful or unsuccessful – do together, it is in the context of the inescapable fact that this is, at root, a relationship based on money (or assets), in which there is an imbalance of power between the two parties. The positive experiences of many of our interviewees suggest that the potentially negative influence of the power differential can be offset if both parties are aware of this from the outset, and if the more powerful party – the funder – does whatever it can to mitigate the worst effects of the imbalance.

Strategies for mitigation will include the application of some of the learning outlined above:

- collaboration at all stages of the funding plus process
- increased consciousness about respective roles and interests
- emotional intelligence and investment in the development of relationships.

In addition, funders might think very carefully about the implications of their involvement as providers of funding plus. Our findings highlighted the difficulties arising from the close and often ambiguous involvement associated with that model of delivery, especially in relation to capacity building. One option might be to make more widespread use of third parties and outsiders for this category of funding plus work.

Linked to this, careful thought needs to be given to the extent to which grantees enter freely and willingly into a relationship with the funder which is not directly about financial support. The more explicit and voluntary, and less mandatory, the process for participation in funding plus, the more likely it would seem that mutual benefits can be achieved. This links back to earlier comments about purpose and communications.

The positive experiences of funding plus set out in Part Three of this report indicate that many of those involved in this work are already adopting thoughtful and thorough approaches. Within this, we can also point to strenuous efforts to mitigate the effects of the disparity of power between funders and grantees. These efforts can be characterised by an explicit recognition that the power relationship is asymmetrical, and by creative endeavour to identify an exchange, whereby each party involved gives something up in return for something which can benefit them.

SUMMARY - ASSETS, RESPONSIBILITY AND POWER

- In the current climate, trusts and foundations need to think carefully and responsibly about using their multiple assets to maximum effect.
- Part of that process of reflection should include consideration of the merits and appropriateness of funding plus.
- For those committed to funding plus, the power imbalance between funders and grantees requires careful, responsible and creative attention.

Concluding remarks

Although the practice of ‘going beyond the money’ is not new, a combination of factors means that the spotlight on funding plus is currently shining bright. Cuts in public expenditure, the changing role of the state, governmental interest in philanthropy and giving, and shifts to demand-led models of support for voluntary organisations are all influencing and shaping the priorities of trusts and foundations, as well as those of their grantees.

The funders that participated in this study generally see funding plus in a very positive light. There is acknowledgement that funding plus work requires both courage and patience – the courage to divert significant sums of money from direct grant-making, and the patience to stick with the activity for long enough for it to be effective. Despite this, there appears to be an appetite among funders to do more in this area.

We also found that grantees engaged with funding plus work valued closer relationships as a means to achieving stronger organisations, better placed to fulfil their missions and make a difference.

Overall, then, responses to funding plus were positive. However, in thinking about the further development of this field, our study also suggests that the following areas would benefit from attention:

- *More investment of time and energy within funders, and in some cases external support, to prepare for funding plus, paying particular attention to function – what is the purpose of moving beyond the money to the provision of additional activities? And form – what process and methods need to be employed in order to fulfil that purpose?*
- *More preparation at the outset of funding plus initiatives in order to develop a theory of change, with a focus on processes and outcomes that are appropriate, meaningful and useful to both funders and grantees. To support this, consideration might be given to a longer-term study to assess the difference and contribution, over time, that collaboratively agreed and designed funding plus interventions make, for example to social change.*
- *Linked to the need for more work around benefits, further work could be undertaken to look at the costs and opportunity costs of funding plus. This information would be particularly useful for funders considering embarking on funding plus and those wishing to develop their funding plus activities further.*
- *Finally, related to work on costs, gaps remain in our knowledge about funding plus interventions. In particular, the study was not able to identify the relative effectiveness of different interventions, or the variables which influence and determine that effectiveness. Whilst our earlier work in this area did generate useful evidence about organisational support work, there may be a need to look more closely at activities and methods involved in influencing work.*

Endnotes

For full references and other reading, please see Appendix One.

- ¹ E.g. Kendal, 2003; Salamon, 1995; Smith and Lipsky, 1993
- ² E.g. Cairns et al, 2005a; Salamon, 2003
- ³ Emerson, 2004
- ⁴ Eisinger, 2002; Mandeville, 2007; Wing, 2004
- ⁵ Anheier and Leat, 2006; Reis and Clohesy, 2001
- ⁶ Brainerd, 1999; Firstenberg, 2003
- ⁷ John, 2007; Moody, 2008
- ⁸ Cairns and Chambers, 2008
- ⁹ Frumkin, 2006
- ¹⁰ Lafrance and Latham, 2008
- ¹¹ John, 2007
- ¹² Letts and Ryan, 2003
- ¹³ Frumkin, 2003; John, 2007; Lafrance and Latham, 2008; Wagner, 2002
- ¹⁴ Brick et al, 2009; Pepin, 2005
- ¹⁵ Cairns and Chambers, 2008
- ¹⁶ Pepin, 2005; Wagner, 2002
- ¹⁷ Letts and Ryan, 2003
- ¹⁸ Bolduc et al, 2004; Huang et al, 2006; Lafrance and Latham, 2008; Moody, 2008; Morino, 2000; Pepin, 2005; Wagner, 2002
- ¹⁹ Letts and Ryan, 2003
- ²⁰ Chao, 2007
- ²¹ Frumkin, 2003; Hero, 2001; Morino, 2000
- ²² IVAR, 2010
- ²³ Van Slyke and Newman, 2006
- ²⁴ Grenier, 2006
- ²⁵ Buteau et al, 2008; Leat and Kumar, 2006
- ²⁶ E.g. Kendal, 2003; Salamon, 1995; Smith and Lipsky, 1993
- ²⁷ E.g. Cairns et al, 2005; Salamon, 2003
- ²⁸ Emerson, 2004
- ²⁹ Eisinger, 2002; Mandeville, 2007; Wing, 2004
- ³⁰ Ostrower, 1997
- ³¹ Handy, 2006
- ³² Anheier and Leat, 2006; Reis and Clohesy, 2001
- ³³ Brainerd, 1999; Firstenberg, 2003
- ³⁴ Letts et al, 1997; Porter and Kramer, 1999
- ³⁵ Letts et al 1997; Pepin 2005
- ³⁶ Frumkin, 2003; Moody, 2008; Van Slyke and Newman, 2006
- ³⁷ Katz, 2005
- ³⁸ Letts and Ryan, 2003
- ³⁹ Moody, 2008
- ⁴⁰ Edwards, 2008
- ⁴¹ Letts and Ryan, 2003
- ⁴² John, 2007; Moody, 2008
- ⁴³ Cairns and Chambers, 2008
- ⁴⁴ Letts and Ryan, 2003
- ⁴⁵ Frumkin, 2006
- ⁴⁶ Lafrance and Latham, 2008
- ⁴⁷ John, 2007
- ⁴⁸ Letts and Ryan, 2003
- ⁴⁹ Frumkin, 2003; John, 2007; Lafrance and Latham, 2008; Wagner, 2002
- ⁵⁰ Brick et al, 2009; Pepin, 2005
- ⁵¹ Cairns and Chambers, 2008
- ⁵² Pepin, 2005; Wagner, 2002
- ⁵³ Frumkin, 2003; Letts and Ryan, 2003
- ⁵⁴ Letts and Ryan, 2003
- ⁵⁵ Bolduc et al, 2004
- ⁵⁶ Huang et al, 2006; Lafrance and Latham, 2008; Moody, 2008; Morino, 2000; Pepin, 2005; Wagner, 2002

- ⁵⁷ Porter and Kramer, 1999; 2002
- ⁵⁸ Letts and Ryan, 2003
- ⁵⁹ Chao, 2007
- ⁶⁰ Frumkin, 2003; Hero, 2001
- ⁶¹ Morino, 2000
- ⁶² www.corstoncoalition.org.uk
- ⁶³ www.fairsharetrust.org
- ⁶⁴ Characterised by the European Venture Philanthropy Association as:
- *The active partnership, or engagement, of donors, volunteers and/or experts with charities to achieve agreed outcomes such as organisational effectiveness, capacity building or other important change.*
 - *The use of a variety of financing techniques in addition to grants, such as multi-year financing, loans or other financial instruments most appropriate for a charity's needs.*
 - *The capability to provide skills and/or hands-on resources with the objective of adding value to the development of a charity.*
 - *The desire to enable donors to maximise the social return on their investment whether that be as a financial donor or as a volunteer of time and expertise.*
- www.evpa.eu.com
- ⁶⁵ Information correct as at end of May 2011
- ⁶⁶ For a description of Inspiring Scotland, see no. 6 in Appendix Two
- ⁶⁷ For a description of the Barrow Cadbury Trust, see no. 2 in Appendix Two
- ⁶⁸ Barrow Cadbury Trust, 2005
- ⁶⁹ For a description of The Diana, Princess of Wales Memorial Fund, see no. 4 in Appendix Two
- ⁷⁰ For a description of Trust for London, see no. 12 in Appendix Two
- ⁷¹ Department for Culture, Media and Sport, 2011
- ⁷² www.effectivephilanthropy.org/index.php?page=grantee-perception-report
- ⁷³ Cairns et al, 2005
- ⁷⁴ IVAR, 2010a
- ⁷⁵ Harker and Burkeman, 2007
- ⁷⁶ Blumenthal, 2003
- ⁷⁷ Cairns and Chambers, 2008
- ⁷⁸ E.g. Pepin, 2005; Wagner, 2002
- ⁷⁹ E.g. Lafrance and Latham, 2008; Letts et al, 1997; Wagner, 2002
- ⁸⁰ IVAR, 2011
- ⁸¹ Moody, 2008
- ⁸² Letts and Ryan, 2003; Harker and Burkeman, 2007
- ⁸³ Wing, 2004
- ⁸⁴ Department for Communities and Local Government, 2006
- ⁸⁵ Coffman and Beer, 2011
- ⁸⁶ Cabinet Office, 2010
- ⁸⁷ Cabinet Office, 2011
- ⁸⁸ IVAR, 2011a

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Case studies

Note: All the descriptions in this part of the report have been checked with the funders concerned, and in some cases, amended as a result. In many instances, we have used the funders' own words drawn from their websites, but for ease of reading have not specifically identified these. Where figures are mentioned, these are based on figures in the latest available accounts.

1

Baring Foundation

The Baring Foundation (BF) was set up in 1969 with 74% of the equity of Baring Brothers & Co Ltd. In 1995, the Barings business was acquired by ING of the Netherlands. Although BF is now entirely separate from ING, it continues to receive free accommodation and support services as a donation in kind. BF's income comes from an endowment which survived the Baring Brothers & Co Ltd crash, as it was not part of Barings.

BF seeks to improve the quality of life of people suffering disadvantage and discrimination through making grants to strengthen voluntary sector organisations which serve these groups either directly or indirectly, and by the added value the Foundation brings. Its budget for grant-making in 2010 was £2.5 million. Its grant-making is mainly in the UK, but it runs special grant programmes in Africa and South America, with the Sir John Ellerman Foundation. BF has a Board of trustees selected for their experience and skills in areas of high priority or concern to the Foundation.

FUNDING PLUS

BF has been doing funding plus work for some time, but it has increased in significance since 2003. BF views its funding plus initiatives as embedded in its total programme rather than as 'add-ons'. Most funding plus activity is aimed at strengthening the voluntary sector in the UK.

ACTIVITIES

A major part of funding plus work is aimed at influencing the external environment for grantees in particular areas by bringing people together and influencing policy. BF also seeks to influence policy directly and has organised meetings between grantees and government. BF places some emphasis on convening grantees together in relevant networks.

DELIVERY

The work is staff-led, though on occasion BF commissions outside consultants. Trustees are actively involved; they visit all grantees midway through the grant period and attend network meetings.

MEASURING SUCCESS

BF uses anonymous surveys and evaluation forms to ascertain the extent to which their networks are valued by the grantees. BF uses its (staff and trustees') judgement as the main way of assessing its success at adding value.

2

Barrow Cadbury Trust

The Barrow Cadbury Trust (BCT) is an independent, charitable foundation, committed to supporting vulnerable and marginalised people in society. It was founded in 1920 by Barrow Cadbury and his wife Geraldine Southall Cadbury who were both committed Quakers; their concerns and values are reflected in the work of the Trust today. All but one of the current trustees are family members; at the time of writing additional non-family members are being recruited to fill skill gaps identified.

BCT focuses on programmatic strategic work and funds work to get the voice of the grassroots into the strategic arena. It works with researchers, think-tanks and government, often in partnership with others, to overcome the structural barriers to a more just and equal society.

FUNDING PLUS

BCT's funding plus work is principally about influencing policy shapers, in order to achieve structural change, for example the Transition to Adulthood (T2A) Alliance. BCT has always worked programmatically and funding plus is intrinsic to this way of working.

ACTIVITIES

In 2005, BCT's Commission on Young Adults and the Criminal Justice System launched its report, *Lost in Transition*, highlighting the complex needs of young adult offenders. Subsequently, BCT convened the T2A Alliance to raise awareness of the problems this group faces in transition to adulthood, and to secure policy change to improve their lives.

The T2A Alliance is a coalition of 14 service providers and policy bodies (including BCT), working to improve the life chances of this group of young people. BCT has funded most of the Alliance members in addition to three pilot schemes testing different approaches to improving services for young adult offenders. It services the Alliance and is a key figure within it, taking part, with others, in the production of 17 documents to date, including the Young Adult Manifesto. It has lobbied policy makers and raised awareness of the needs with practitioners and statutory bodies. It holds regular events and attends events such as the political party conferences to promote the recommendations of the T2A manifesto.

DELIVERY

BCT's funding plus activities are carried out by its own staff, T2A Alliance members, an independent Chair and a public relations/communications company. The Alliance members collectively set the strategy annually, which is endorsed by the BCT Board and the funding is used to pursue the strategy.

MEASURING SUCCESS

A formative evaluation of the T2A Alliance is being undertaken by Oxford University. Catch 22 (an Alliance member) is carrying out an evaluation of the outcomes of the pilot schemes. Several cost-benefit analyses have been commissioned to assist in building an evidence base.

3

Community Foundation for Northern Ireland

The Community Foundation for Northern Ireland (CfNI), formerly Northern Ireland Voluntary Trust, started life in 1979. Its trustees are drawn from statutory, academic, voluntary and private sector backgrounds in Northern Ireland. CfNI raises money from a range of sources – including the USA – to spend locally in pursuit of its mission in Northern Ireland. CfNI manages a broad portfolio of funds and programmes that aim to tackle social exclusion, poverty and social injustice. In 2009/10 CfNI spent approximately £5.7 million in grants.

FUNDING PLUS

CfNI has been providing 'more than money' since the 1980s. Funding plus work encompasses capacity building initiatives for those it funds as well as working to strengthen their ability to influence policy.

ACTIVITIES

CfNI creates networking opportunities between grantees. This was particularly important during the 'Troubles' in Northern Ireland, as was CfNI's initiative to provide neutral places for those with similar interests, such as women's groups, to meet and share experiences. It brings together grantees and other agencies to look at some of the policy learning arising out of projects they fund. As a result it has worked with other funders and government to devise a demonstration programme to work with marginalised young people. Similarly, it has brought together community arts grantees in order to link them in to government consultations. CfNI commissions research which draws on the work of grantees to make a policy contribution.

DELIVERY

CfNI delivers its funding plus work using its own staff, selected mentors and external evaluators.

MEASURING SUCCESS

CfNI builds in baselines and key indicators from the start of its grants, and encourages a strong self, and external, evaluation process.

4

The Diana, Princess of Wales Memorial Fund

Following the death of Diana, Princess of Wales in 1997, The Diana, Princess of Wales Memorial Fund (the Fund) was established to continue her humanitarian work in the UK and overseas. It now works mainly in the four countries of the UK and in seven countries in sub-Saharan Africa. The Fund was created with income from donations, commercial activities, product sales and investments. It has decided to spend down its capital so that it will close in 2012. Its annual grant expenditure is approximately £4.4 million.

FUNDING PLUS

Funding plus has been an integral part of the Fund's mission since 2007. The Fund's funding plus work has one primary aim: to add value and create a greater impact through the use of non-grant assets, based on the small number of high-level policy change objectives in the 2007 to 2012 Strategic Plan.

ACTIVITIES

In addition to giving grants, the Fund works collaboratively with other funders; it enters public policy debates to call for change; it commissions research to help underpin the policy change goals of its partners as well as its own; it acts as a convener, seeking to use its independent status and voice to influence; it provides technical assistance; and it involves itself in a number of significant networks.

DELIVERY

The funding plus work is mainly delivered by Fund staff who are people with specialist knowledge in the Fund's areas of operation, as well as in grant-making. It also uses external consultants and evaluators.

MEASURING SUCCESS

The Fund invests heavily in evaluation, especially on a formative basis.

5

Environment Wales

Environment Wales (EW) was set up in 1992 as a partnership of voluntary sector organisations, funded by the Welsh Assembly Government. EW is governed by a Steering Group which includes representatives of partner organisations and the Welsh Assembly Government, the Chair of the EW Grants Advisory Panel and observers from other relevant agencies. EW aims to contribute to sustainable development by supporting and encouraging voluntary action to protect and improve the environment. It spends about £600,000 per year on grants.

FUNDING PLUS

EW focuses on developing the skills and competencies of those it funds – both individual projects and particular fields of activity. EW has been delivering a funding plus approach since its inception.

ACTIVITIES

EW development officers provide extensive support to guide groups through the EW registration process. Once registered, groups can apply for grants. Development officers then provide ongoing advice and encouragement, facilitate networking and help groups to contact appropriate sources of help. Start-up support is available for projects in their infancy; EW also runs an annual training and networking event.

DELIVERY

EW offers support through long-term contact with one of seven dedicated development officers who are based in environmental organisations. They spend three-quarters of their time on work for EW (who pay 75% of their salaries) and the rest on work for their host organisation. This allows them to absorb, and then pass on, that organisation's specialist expertise.

MEASURING SUCCESS

The development officers monitor all projects. They visit groups regularly and attend committee meetings and events; they receive reports and feedback and measure the funds levered, and the outcomes made possible, by the EW grant. The Welsh Assembly Government has conducted several external evaluations focused on the administration of the process but EW would like a full independent evaluation to assess the impact and endurance of the scheme.

6

Inspiring Scotland

Inspiring Scotland (IS) is a new model of venture philanthropy tailored to Scotland. Developed by the Lloyds TSB Foundation for Scotland, IS's aim is to change people's lives for the better through significant long-term funding and development support for Scotland's charities. It seeks to create sustained change and to achieve long-lasting impact for Scotland's most vulnerable people and communities through partnership and collaboration, as well as by tackling tough social issues. It runs two funds, Go Play and the 14:19 Fund which aims to help 56,000 young Scots to take significant steps on their journey towards a more positive future, including entering education, training or employment.

FUNDING PLUS

IS focuses on developing the skills and competencies of those it funds, both individual projects and particular fields of activity. It has been delivering funding plus since its inception in 2009.

ACTIVITIES

IS selected 24 ventures by a rigorous process to take part in their 14:19 Fund. All received an investment, over 7 to 10 years, against an agreed operational plan and each has an assigned performance advisor who helps on issues such as finance, outcomes and organisational development. The performance advisor meets with the venture every quarter for a formal review; there is a varying amount of contact in between. Money is released against the achievement of milestones. All the organisations in the portfolio attend relevant training or workshops. Each venture also gets bespoke input which might include mentoring or further consultancy.

DELIVERY

Much of the funding plus work is done by Inspiring Scotland's performance advisors, who are permanent members of staff. IS also uses *pro bono* mentors from the business world, consultants, business and financial advisers and outside agencies.

MEASURING SUCCESS

IS carries out detailed quarterly reviews with each venture in the 14:19 Fund and is working with them on a balanced scorecard approach to reporting on performance. IS works with Evaluation Support Scotland to develop learning through rigorous evaluation. Nine reports on the 14:19 Fund have been published since the fund began.

7

Joseph Rowntree Charitable Trust

The Joseph Rowntree Charitable Trust (JRCT) was founded in 1904 by Joseph Rowntree, a Quaker businessman. JRCT works mainly in the UK, but also in Ireland, and now undertakes some work in Europe, often in partnership with other foundations. It also supports some projects in South Africa. All the trustees are Quakers, but none has any formal link with the Rowntree family, and there are no longer any corporate connections. JRCT makes grants of approximately £5 million per year in pursuit of its mission.

FUNDING PLUS

JRCT sees that it has a role in relation to influence as well as developing the skills and competencies of its grantees through capacity building. Its model of change focuses on seeking to ensure that grantees have the skills to bring influence to bear themselves, rather than by JRCT exercising influence. JRCT has been taking initiatives which go beyond funding for as long as the organisation can recall.

ACTIVITIES

JRCT's funding plus activities fall broadly into three areas:

- bringing together grantees working in particular fields to review strategy and encourage joint working – this is sometimes supported by commissioned research
- setting up its own small initiatives
- adding money to grants to enable organisations to develop particular skills or competencies.

DELIVERY

In many instances, it is the executive staff of JRCT who have generated specific ideas. JRCT offers professional help in various areas, using third party organisations in fields such as public relations and legal assistance.

MEASURING SUCCESS

For JRCT, the evaluation happens at the outset and then grantees get five years to do what they have set out to do.

8

Northern Rock Foundation

Northern Rock Foundation (NRF) is a charity and company limited by guarantee with an independent Board of trustees. NRF aims to tackle disadvantage and improve quality of life in North East England and Cumbria.

NRF was established when Northern Rock demutualised in 1997. Up to December 2007, Northern Rock gave five per cent of its annual pre-tax profits to the Foundation. The Foundation received £15 million a year in 2008, 2009 and 2010 as part of the arrangement under which the former Northern Rock business was taken into temporary public ownership. In January 2010, the former Northern Rock business was separated into two companies: Northern Rock plc, a new mortgage and savings bank; and Northern Rock (Asset Management) plc, which became part of UK Asset Resolution in October 2010. From January 2011, Northern Rock plc has agreed to donate one per cent of pre-tax profits to the Foundation under a two-year agreement to be reviewed annually.

In 2009, NRF made grants amounting to a little over £11.4 million. In 2011, £8 million will be available for five grant programmes and other development support as part of the Foundation's new five-year strategy.

FUNDING PLUS

NRF's funding plus work aims to increase the effectiveness of the voluntary sector; this includes carrying out research which can influence practice. Funding plus is focused on individual grant holders as well as on the particular fields which are the subject of NRF's grant programmes. NRF has operated funding plus since its inception.

ACTIVITIES

NRF currently runs a training and development programme designed to increase the effectiveness of the voluntary sector. This programme offers courses and support to develop skills, competencies and infrastructure. NRF has also run initiatives on quality assurance, as well as professional development and training for staff, volunteers and trustees.

NRF draws from the learning obtained through its grant-making to influence local and regional policy makers in both formal and informal ways. It also provides independent research and analysis, and space for organisations to learn from each other.

DELIVERY

NRF delivers funding plus work both by using its own staff and appropriate third parties.

MEASURING SUCCESS

NRF has commissioned the US Center for Effective Philanthropy to carry out a Grantee Perception Study. NRF is currently carrying out a 'Knowledge Transfer Partnership', jointly funded with Technology Strategy Board and the ESRC. The work, in partnership with Bristol University, is to assess the impact of research-based funding programmes and to identify what other tools and conditions need to be in place to ensure greatest impact. NRF also issues a comprehensive paper about monitoring and evaluation to grantees and helps groups to monitor and evaluate their grants. There is no formal evaluation of the funding plus element of NRF's operations.

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Paul Hamlyn Foundation

The Paul Hamlyn Foundation (PHF) was established in 1987 by the publisher Paul Hamlyn. Its trustees are members of the Hamlyn family and others chosen for the relevance of their background and expertise.

PHF spends approximately £20 million a year on grants, mainly in the UK but also in India. It aims to maximise opportunities for individuals to experience a full quality of life, and has a focus on children and young people, and others who are disadvantaged.

FUNDING PLUS

PHF splits its spending 50/50 between open grants and Special Initiatives. Open grants are responsive and will sometimes include funding plus activity. Special Initiatives grants use an explicit funding plus approach which is carefully planned and outlined to the grantee early in the relationship.

PHF wants to be more strategic about its open grants programme and is reviewing its grant assessment processes to support this.

ACTIVITIES

Organisations which receive Special Initiative grants benefit from a funding plus approach. At the outset this approach is explained to grantees, setting out what PHF will do and what it expects from grantees. Specific activities vary according to the initiative. Organisations may receive: an organisational 'audit'; one-to-one support from grants managers to help them think about what they want to achieve and how best to do this; help to work in partnership with other organisations; pre-project scoping work; pre-grant application workshops; support in thinking about post-grant survival; support for overarching evaluation; and brokerage.

There is a two-way exchange about practice between open grants and Special Initiatives. PHF's funding plus approach in Special Initiatives often informs the way in which they offer extra support to those receiving open grants. PHF uses an action research model and findings from Special Initiatives inform its open grants process.

PHF is in the process of refining its funding plus processes in order to become clearer and more strategic about when and how to use funding plus approaches.

DELIVERY

Consultants deliver most of the funding plus Special Initiatives work, although staff provide a lot of one-to-one support. PHF is moving towards using staff with expertise in specific areas. It has a number of specially recruited external advisers – including some trustees.

MEASURING SUCCESS

PHF has established a learning and impact function, one aim of which is to develop an impact assessment framework. The framework will look at: individual and community level outcomes; organisational level outcomes; policy and practice; and Special Initiatives. The US Center for Effective Philanthropy has also carried out a grantee perception survey for PHF.

Pears Foundation

Pears Foundation (PF) was established by the Pears family in 1991. It describes itself as a British family foundation rooted in Jewish values, and concerned with positive identity and citizenship. The trustees are family members, and there are links to the family group of property and investment companies; PF matches charitable donations by group staff.

PF spends around £7 million annually in its five thematic areas: Identity, Community and Citizenship; Jewish Contribution to Society; Education on Genocide; Israel as a Global Citizen; Exploring Philanthropy.

FUNDING PLUS

PF makes grants but does not see itself as a grant-making trust. Rather it works intensively on a small number of strategic partnerships.

Funding plus activity covers both the development of skills and capacity in its partners and work to influence policy and promote best practice. PF's approach to funding plus partnerships has evolved over the last eight years, undergoing refinement as a result of the experience of both successful and less successful partnerships.

ACTIVITIES

PF forms strategic partnerships, such as the Holocaust Education Development Programme at the Institute of Education in London which works on improving the way the Holocaust is taught in UK schools.

PF's operating programme is J-Hub, an incubator for Jewish social action and innovation. The Hub opened in 2008 and six organisations are now resident there. Hub residents receive a package of professional development support as well as monthly 'lunch and learn' sessions with visiting rabbis and educators.

DELIVERY

Most of the funding plus work is undertaken by PF's own staff, although external consultants are brought in to support specific partnerships.

MEASURING SUCCESS

In 2009, PF commissioned an independent grantee perception report from the US Center for Effective Philanthropy. The findings have helped inform the foundation's strategic planning, particularly in the area of communications.

Scottish Community Foundation

Since 1996, the Scottish Community Foundation (SCF) has been working with people and organisations to help them give to good causes effectively and inexpensively. It provides administration and management support services to make charitable giving easy and tax-efficient. It offers clients independent advice on charitable giving and a professional grant-making service which links them to charities that are seeking funding. It distributes around £3.5 million a year, mostly as small grants of up to £5,000, but is increasingly making larger, multi-year awards too.

FUNDING PLUS

Much of SCF's funding plus work with grantees has developed since 2003. The approach has three aims: to protect the financial investment made in organisations; to try and increase the likelihood of a successful outcome; and to reduce the risk of failure.

ACTIVITIES

The funding plus approach may involve: a grants officer providing hands-on assistance with systems and processes; staff working with local agencies to commission and disseminate baseline research/mapping; or SCF funding third parties to co-ordinate local awareness-raising/celebration events for all funded projects.

SCF has also begun to develop funding plus activities with some of its donors in order to encourage them to engage in ways which go beyond giving money. This involves visiting projects, commissioning research and taking donors through a philanthropy planning process.

DELIVERY

The work is mainly undertaken by SCF's own grants officers. In some cases, a third party might be commissioned, and in some instances grantees receive funds to find the right person themselves. SCF might commission reports directly or jointly with the grantee.

MEASURING SUCCESS

SCF asks the projects for their views, but does not look at the overall pattern of responses. It provides evaluation forms after events. SCF feels that it can observe the success or otherwise of particular interventions where there was a specific objective. There has been no attempt to gauge success with initiatives which have less obvious outcomes, such as those which involve bringing projects or people together.

Trust for London

The Trust for London (The Trust) is an amalgamation of the City Parochial Foundation, founded in 1891 to benefit the poor of London, and the Trust for London, established in 1986. It exists to reduce poverty and inequality in London. It does this by spending over £6 million a year on grants to the voluntary and community sector and others, as well as by using its own expertise and knowledge to support work that tackles poverty and its root causes. Its trustees are chosen to bring a wide range of experience and backgrounds to the Board.

FUNDING PLUS

The Trust regards itself as an 'engaged' funder, interested in using its resources beyond 'just' money to bring about social change. The Trust has been 'doing' funding plus work for at least 25 years.

ACTIVITIES

The Trust works to develop the skills and competencies of grantees and strengthen their influence on policy shapers. Its funding plus 'offer' includes: training and consultancy; learning seminars; workshops; development work; and commissioned external evaluations and research. It works with Charities Evaluation Services to deliver a programme of workshops aimed at equipping grantees with skills in monitoring, evaluation, campaigning and data gathering.

The Trust organises approximately four learning seminars annually, to share knowledge, and develop and explore ideas and best practice.

It has developed nine 'Special Initiatives' since 2006, where it aims to make a more strategic impact and, where appropriate, influence policy, practice or public attitudes.

DELIVERY

The Trust uses a mixture of consultants and organisations – such as Charities Evaluation Services, the Sheila McKechnie Foundation and Rights of Women – as well as staff time.

MEASURING SUCCESS

The Trust has a comprehensive programme of feedback, evaluations and electronic surveys aimed at ensuring that it learns about the extent to which its funding plus initiatives are successful. The outcomes are drawn together in a quinquennial review.

UnLtd

UnLtd is a charity which supports social entrepreneurs – people with vision, drive, commitment and passion who want to change the world for the better. It does this by providing a complete package of funding and support to help these individuals make their ideas a reality.

UnLtd was formed in 2000 by seven partner organisations. In 2002 it received a grant of £100 million from the Millennium Commission to form an endowment, the income from which was to be used to fund UnLtd awards and a UK-wide fellowship of people who have received awards.

FUNDING PLUS

UnLtd recognises that social entrepreneurs need practical assistance, advice and support as much as, or even more than, financial support. Its funding plus work is, therefore, about developing the skills and competencies of its awards recipients. UnLtd has operated funding plus from the outset.

ACTIVITIES

Award winners receive a complete tailored package of money, training, advice and networking opportunities at every stage of their project. UnLtd also arranges pro bono support from leading professionals and companies and offers intensive support and mentoring to the most promising social entrepreneurs.

DELIVERY

Most funding plus work is undertaken by UnLtd's own staff, although they do introduce awardees to mentors, other social entrepreneurs, potentially helpful contacts and business people.

MEASURING SUCCESS

UnLtd carries out regular reviews of all its activities including a major strategic review in 2010. Staff also keep in touch with those who have received awards.

Venturesome

Venturesome, established in 2002, is an initiative of the Charities Aid Foundation (CAF). It is a social investment fund, rather than a grant maker. It provides advice and capital investment to charities and social enterprises, operating in the space between charitable grant makers and commercial banks, offering bank loans at market rates.

FUNDING PLUS

Venturesome's funding plus work is concerned both with developing the skills and competencies of its investees and organisational development. The Development Fund is Venturesome's key example of funding plus and began in 2009.

ACTIVITIES

Funding plus is intrinsic to Venturesome's approach – the period of getting an organisation 'investment-ready' is part of what could be referred to as funding plus. This is exemplified by the Development Fund which provides capital to enable organisations to develop or grow, so they can increase their financial resilience and achieve more social impact. During the period prior to a loan being awarded there can be considerable contact between the applicant organisation and Venturesome, with the organisation receiving guidance where necessary to help strengthen the investment proposition.

Venturesome has also started roundtable discussions, so far primarily with organisations based in the south east. These are for chief executive officers, finance directors and trustees on topics such as the recession.

DELIVERY

The funding plus work is mostly carried out by Venturesome's own staff.

MEASURING SUCCESS

A review of the Development Fund took place after a year. The results of this review form the focus of a paper, *Building a resilient civil society: The role of social investment*. Further reports are planned on the performance of the Development Fund and emerging learning.

Interviewees

Case study funders

BARING FOUNDATION

Christine Bacon

Artistic Director, Ice & Fire

Julie Bishop

Director, Law Centres Federation

David Cutler

Director, Baring Foundation

Almir Koldzic

Co-ordinator, Refugee Week

Joy Mugisha

UK Co-ordinator, Trust for Africa's Orphans

Matthew Smerdon

Deputy Director, Baring Foundation

BARROW CADBURY TRUST

Rob Allen

Chair, Transition to Adulthood Alliance (T2A)

Gabby Chalk

Project Development Manager (T2A), Addaction

Jon Collins

Campaigns Director, Criminal Justice Alliance

Vicki Helyar Cardwell

Public Affairs Officer, Catch22

Catherine Hennessey

Director of Development and Partnerships, Revolving Doors

Evan Jones

Head of Community Services, St Giles Trust

Sara Llewellyn

Chief Executive, Barrow Cadbury Trust

Kevin Lowe

Co-Director, Young People in Focus

Shan Nicholas

Former Development Director, T2A

Rob Smith

Chief Executive Officer, Youth Support Services

Anna Southall

Trustee and former Chair, Barrow Cadbury Trust

COMMUNITY FOUNDATION FOR NORTHERN IRELAND

Sean Carlin

Lettershandoney and District Development Group

Avila Kilmurray

Director, Community Foundation for Northern Ireland

Monina O'Prey

Programme Manager, Community Foundation for Northern Ireland

THE DIANA, PRINCESS OF WALES MEMORIAL FUND

Stephanie Castanie

Handicap International Belgium

Andrew Cooper

Research Manager, The Diana, Princess of Wales Memorial Fund

Thomas Nash

Co-ordinator, Cluster Munitions Coalition

Seb Taylor

Chief Executive, Action on Armed Violence

Tess Woodcraft

Senior Trainer/Consultant, The Centre

ENVIRONMENT WALES

Clare Sain-Ley Berry

Co-ordinator, Environment Wales

Jo Horsley

Development Officer, Environment Wales

Phil Jarrold

Deputy Chief Executive, Environment Wales

Pauline Morgan

Green Shoots

Bridget Peacock

Director, Riverfly Partnership

Alan Underwood

Consultant

INSPIRING SCOTLAND

Helen Chambers

Head of Strategy and Delivery, Inspiring Scotland

Rosemary Dickson

Chief Executive, Family Action Roggerfield & Easterhouse

David Hardi

Head of Venture Philanthropy, Inspiring Scotland

John Hinton

Executive Director, Move On

Paul Munn

Partner, Par Equity LLP

Dougie Stevenson

Chief Operating Officer, Street League

Gary Le Sueur

Partner, Scottish Equity Partners

Celia Tennant

Head of Funds, Inspiring Scotland

JOSEPH ROWNTREE CHARITABLE TRUST

Linda Butcher

Chief Executive, Sheila McKechnie Foundation

Maurice Frankel

Campaign for Freedom of Information

Paul Ingram

Executive Director, BASIC

Celia McKeon

Assistant Trust Secretary, Joseph Rowntree Charitable Trust

Henry McLaughlin

Campaign Against the Arms Trade

Stephen Pittam

Trust Secretary, Joseph Rowntree Charitable Trust

Juliet Prager

Deputy Trust Secretary, Joseph Rowntree Charitable Trust

NORTHERN ROCK FOUNDATION

Carol Candler

Head of Strategic Direction and Learning

Abigail Finnegan

Manager, Safety Net

Richard Haigh

Programme Manager, SCARPA

Louise Telford

Programme Manager, Enabling Independence and Choice

Penny Vowles

Programme Manager, Changing Lives

Richard Walton

Programme Manager, Financial Inclusion and Homelessness

Cullagh Warnock

Programme Manager, Safety and Justice

Chris Wood

Manager, Eden Mind

PAUL HAMLYN FOUNDATION

Denise Barrows

Head of Education and Learning, Paul Hamlyn Foundation

Rob Bell

Head of Social Justice, Paul Hamlyn Foundation

Stella Charman

Consultant

Robert Dufton

Director, Paul Hamlyn Foundation

Tim Snowdon

Director, Changing Tunes

John Speyer

Director, Music in Detention

Tom Wylie

Trustee, Paul Hamlyn Foundation

PEARS FOUNDATION

Rachel Heilbron

Three Faiths Forum

Charles Keidan

Director, Pears Foundation

Teresa Lloyd

Consultant

A. N. Other

SCOTTISH COMMUNITY FOUNDATION

Nick Addington

Grants Director, Scottish Community Foundation

Frank Burns

Chief Executive Officer, Association of Local Voluntary Organisations, South Lanarkshire

Colin Campbell

Executive Director, Assist Social Capital

Clare Carpenter

Founder and Managing Director, The Melting Pot

Anne Carruthers

Development Officer, Forth Community Resource Centre

TRUST FOR LONDON

Sioned Churchill

Director of Special Initiatives and Evaluation, Trust for London

Douglas Gunn

Grants Manager, Trust for London

Vaughan Jones

Chief Executive, Praxis

Shehnaaz Latif

Senior Evaluation Trainer and Consultant, Charities Evaluation Service

Tracey Lazard

Chief Executive, Disability Action in Islington

Angela Noonan

Consultant

Klara Skrivankova

Trafficking Programme Co-ordinator, Anti-Slavery International

UNLTD

Ibrar Ali

Development Manager, Bradford Office, UnLtd

Gareth Bickerton

Awards Director, Wales, UnLtd

Richard Clarke

Mentor

Angela Gorman

Award Winner

Guri Hummelsund

Development Manager, London Office, UnLtd

Stuart McKie

Award Winner

Ugochukwo Obi

Award Winner

VENTURESOME

Emilie Goodall

Investment Manager, Venturesome

Janice Massingham

Finance and Resources Manager, South West London Law Centre

Key informants

BBC CHILDREN IN NEED

Sheila Jane Malley

Director of Grants and Policy

BIG LOTTERY FUND

Sarah Mistry

Head of Evaluation and Research

CITY BRIDGE TRUST

Clare Thomas

Chief Grants Officer

COMIC RELIEF

Gilly Green

Head of UK Grants

COMMUNITY FOUNDATIONS NETWORK

Clare Brooks

Director of Philanthropy

COMMUNITY FOUNDATION SERVING TYNE AND WEAR, AND NORTHUMBERLAND

Rob Williamson

Chief Executive

ESMÉE FAIRBAIRN FOUNDATION

Nicola Pollock

Director of Grant-making

FRIENDS PROVIDENT FOUNDATION

Danielle Walker Palmour

Director

LANKELLYCHASE FOUNDATION

Brian Whittaker

Programme Director

LLOYDS TSB FOUNDATION FOR ENGLAND & WALES

Birgitta Clift

Head of Grant-making, South

LLOYDS TSB FOUNDATION IN NORTHERN IRELAND

Sandara Kelso Robb

Executive Director

NATIONWIDE FOUNDATION

Lisa Suchet

Director

RANK FOUNDATION

Chris Dunning

Director of Youth Projects, Scotland

TUDOR TRUST

Anne Lane

Grants Team Manager

WALES FUNDERS FORUM

The following attended a presentation and discussion about funding plus

Tracy Beasley

Coalfields Regeneration Trust

Graham Benfield

Wales Council for Voluntary Action

Kerry Charles

Welsh European Funding Office

Pat Cripps

Elizabeth Finn Care

Julie Davies

Community Foundation in Wales

Simon Dawson

Moneyline Cymru

Sarah Fox

Millennium Stadium Charitable Trust

Mike Lewis

Lloyds TSB Foundation for England and Wales

Roy Norris

Comic Relief

Nia Sterling

The Waterloo Foundation

INDIVIDUALS

Diana Leat

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