



# *Making the case for unrestricted funding*

*Ben Cairns*

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

**IVAR** we listen, and  
learn together

# The eight commitments

**1. Don't waste time**

**2. Ask relevant questions**

**3. Accept risk**

**4. Act with urgency**



**5. Be open**

**6. Enable flexibility**

**7. Communicate with purpose**

**8. Be proportionate**

# Open and Trusting: Why does it matter?

Charities say that Open and Trusting Grant-making enables them to:



Be more responsive to their beneficiaries' priorities.



Be more agile in the light of changing needs.



Focus more energy on mission and outcomes.



Learn and share openly.



Plan more confidently.



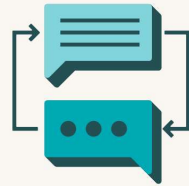
# What matters most to charities?

1



Be clear about what is involved in making an application

2



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

3



Only ask for detailed information from applicants once you know they have a good chance of success

4



Publish and stick to application timeframes and make decisions as quickly as possible

5



Give meaningful feedback to charities whose applications are turned down

6



Give multi-year funding

7



Give unrestricted funding

8



Accept grantees' changes to plans and budgets

9



Be clear about grant reporting requirements and how you will use the information collected

10



Accept existing reports from grantees (e.g. to other funders, annual reports, etc.)



**Commitment 6:  
Enable  
flexibility**

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# Commitment 6



## Enable flexibility

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



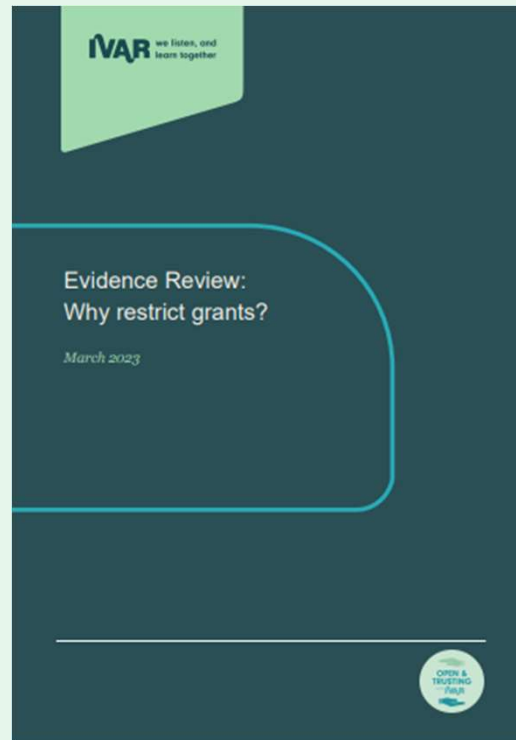
*Unrestricted funding is the single most powerful thing that funders can do to support charities. It enables us to be agile and decisive in dealing with the ever-changing demands of the current uncertainty, while planning as best we can for whatever the future holds.*



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

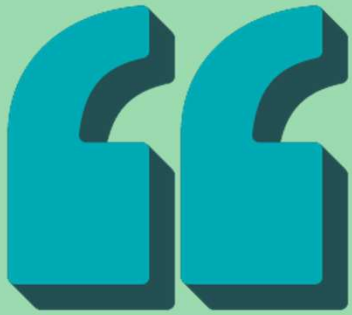


# IVAR research on unrestricted funding



# Definitions

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



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

## **Key finding of the Evidence Review**

# The benefits of unrestricted funding



# Making the case: Five core arguments for unrestricted funding

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

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

# Overcoming barriers and objections





# Is unrestricted funding cost-effective?

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

Tim Cutts, Allen Lane Foundation

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

*As funders, our role is to take on some degree of risk, which is why we do compliance and financial checks. This doesn't have to change when offering unrestricted funding. If you trust a charity enough to give them money for a project, why wouldn't you trust them with unrestricted funding? Either you believe in them, and you trust them as an organisation, or you don't.*

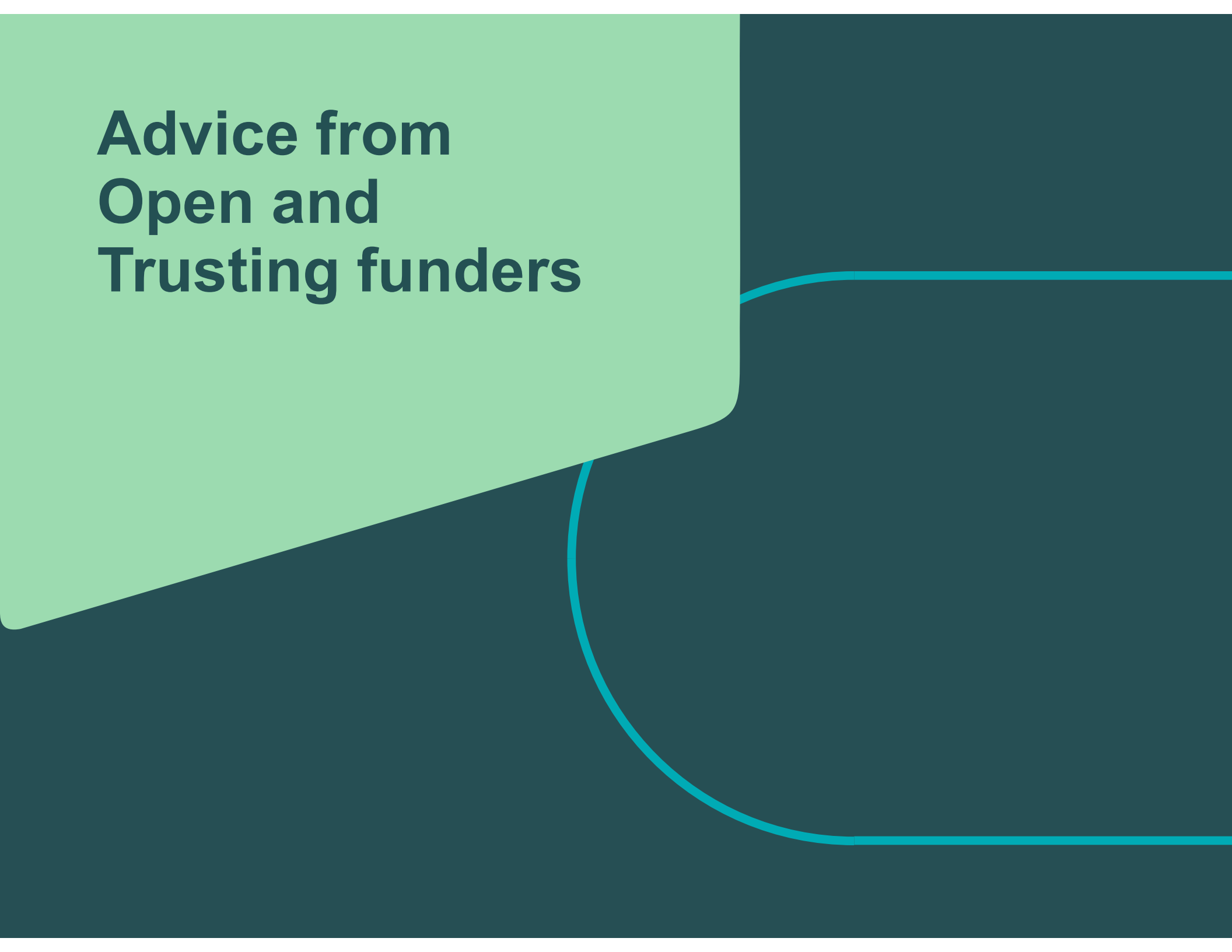
Katy Beechey, Texel Foundation

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

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

Hannah Hoare, Blue Thread

# Advice from Open and Trusting funders

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

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

Philippa Charles, Garfield Weston Foundation

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

Hannah Hoare, Blue Thread

# Recognise that you won't get everything right first time

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

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



# Open and Trusting publications

- <https://www.ivar.org.uk/publication/the-holy-grail-of-funding/>
- <https://www.ivar.org.uk/publication/evidence-review-why-restrict-grants/>
- <https://www.ivar.org.uk/publication/making-the-case-for-unrestricted-funding/>
- <https://www.ivar.org.uk/blog/two-practical-ideas-unrestricted-funding/>
- <https://www.ivar.org.uk/publication/under-the-bonnet-unrestricted-texel-foundation/>