A shared endeavour:
Five approaches to assessing the impact of unrestricted funding

June 2024

Authorship and acknowledgements

This report has been written by Chris Mills, Liz Firth and Ben Cairns. It is based on research by Chris Mills, comprising:

- A review of academic and grey literature on unrestricted funding and impact practice.

- Empirical research, gathering and analysing data on the impact practices of funders who provided unrestricted grants, using the following data collection methods:

  - Collated documents published by funders describing how they assess the impact of unrestricted grants, including websites, annual reports, and impact reports

  - Semi-structured research interviews with the representatives of nine grant-making charitable trusts and foundations

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Foreword

Our Strategy, Building Communities of the Future Together, was launched in October 2022. In it, we set out our ambition to deliver grant making differently through a number of bold, co-operative funding principles. Through this approach, we're able to provide flexible grants that demonstrate respect and trust for our partners.

We had already signed up to IVAR's open and trusting commitments, and are proud to play an active role in advocating for this important community – we would urge other funders to do the same. When launching our first strategic grant programme, the Future Communities Fund, we offered unrestricted funding, for a period of up to five years. We also worked alongside young people from our Future Communities Collective, a group of young people who co-designed the fund and made funding decisions.

"Our ambition is to develop our understanding and build evidence on our initial assumption that giving unrestricted funding can be transformational to communities."

Our approach to learning is that it must be done with the organisations we've funded and in a way that is proportionate and works for them. With this in mind we chose IVAR as the learning partner for our Future Communities Fund. With their support we wanted to test our assumptions that relational, longer term, participatory approaches with flexibility built-in, could deliver stronger impact.

We recognised that assessing the impact of unrestricted funding is an emerging area of work and we wanted to build our approach for the Future Communities Fund based on how other funders have embarked on this journey already. For this reason, we asked IVAR to research how funders who have longer experience in giving unrestricted funding have thought about and in practice pursued measuring impact. This is the first step of a longer journey we have embarked on, in collaboration with IVAR and our funded partners, as we co-design our approach to both measuring impact and learning. Our ambition is to develop our understanding and build evidence on our initial assumption that giving unrestricted funding can be transformational to communities. We also want to learn about the ways in which impact can be demonstrated – both at individual grantee level and across our whole funding portfolio.

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We'd like to say a big thank you to other funders for being incredibly generous with their time and contributions to this research. We're delighted that the findings form much of the backbone of this report.

Our hope in sharing this research is to inspire other funders to demonstrate their trust in those closest to the issues, namely communities and the third-sector organisations serving them. Unrestricted funding, alongside a range of other trusting funding practices, really can make a huge difference to how we share power with these organisations and allow them to lead the way in shaping how they deliver change. Our role is to support and share the stories of this important work, told by the organisations themselves in their own way, about what has been learned on this journey.

Let's build communities of the future together.

Thanks,

Nick Crofts
CEO, Co-op Foundation

As a co-operative funder, we are grateful to our member-owners for making the work we do in communities possible. If you'd like to support us to do more, please become a Co-op member – you can find out more here.

Introduction

Unrestricted funding sits at the heart of efforts to create more equitable relationships between funders and charities in the collective endeavour towards greater social impact:

'Long-term flexible funding allows organizations to allocate resources where they are most needed, making room for innovation, emergence, and impact.' [1]

In the UK, almost 140 funders have joined IVAR's Open and Trusting Grant-making community, whose commitments include giving unrestricted grants wherever they can. However, despite a growing interest in *'enabling funded organisations to have greater control over their own spending'*,[2] most funders continue to favour restricted grants.[3]

We know that 'understanding impact' is a significant concern for funders when considering a switch to unrestricted grant-making. Restricted grants feel safe and familiar. By paying for specific activities funders may feel justified in claiming a causal link between 'our grant' and 'these specific outcomes' − and using this link both to hold charities to account for delivery and to evidence their own impact as a funder. But the price paid for this sense of security is too high. Charities have long argued that *'surviving on a diet of restricted project funding'* inhibits their work, distorts their accountability to communities and causes, and weakens them as organisations.[4] Research increasingly supports this view, evidencing the harms to charity effectiveness inherent in restricted funding models and the unrealised value and potential for unrestricted funding in increasing social impact.[5] Unrestricted funding enables charities to make better use of their resources, to be more forward-looking and to achieve better outcomes in a complex and changing environment: *'Ultimately it means that we achieve more, help more people, and make more of a difference'.*[6]

Far from *'giving up on impact'*, funders who make unrestricted grants are bringing new energy to the debate on what impact looks like and whose job it is to define, monitor and assess it. Instead of imposing conditions and constraints, they respect the knowledge and expertise that charities bring to achieving the best possible impact for the communities and causes they serve. And they are finding other ways to make robust judgements about impact, using what they learn to develop their own funding practice.

There is more to learn and more work to do. However, the evidence review, funder interviews and case studies that inform this report all show that funders who give unrestricted grants are

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1 https://www.trustbasedphilanthropy.org/multi-year-unrestricted-funding
2 Cairns et al (2021)
3 Buteau et al (2020) ; Buteau et al (2023)
4 Cairns and Firth (2023)
5 Mills (2023); Wiepking and de Wit (2023)
6 Cairns and Firth (2023)

highly engaged with questions of impact and offer practical experience for others to build on. We have written before about the urgent need for a new mindset at the heart of funding practice: one that starts from the assumption that charities *'know their own business and can be trusted to spend wisely'*.[7] We hope that this report will help many more funders to make the move towards unrestricted funding – and to do it soon.

A note on terminology

What is unrestricted funding?

The terms 'unrestricted funding' and 'core funding' are often used interchangeably, but they aren't necessarily the same. For clarity, in this review we refer only to:

1. **Unrestricted funding –** grants that can be *'spent or applied at the discretion of the trustees to further any of the charity's purposes'* (Joint SORP-Making Body, 2019). These grants do not come with explicit and formal conditions on how the funding should be spent. Especially in international contexts, unrestricted funding is often called 'flexible funding' or 'general operating support'.

2. **Restricted funding –** grants that must be used for a specific purpose, such as the delivery of a specific project or defined set of activities (project grants), or to pay for a specific element of overheads such as rental costs or the director's salary (overhead/core cost grants).

NB. We refer to funders that provide unrestricted funding as 'unrestricted funders'.

What is impact?

Debates about impact in philanthropy are too often derailed by the many different definitions and expectations that funders bring to the table:

> *'Everyone cares about making a difference. but foundations are far from uniform in their understanding of what "impact" looks like, whose impact they are judging, and what they want to know about it.' (Cairns and Mason, 2021)*

In this review we use **'impact'** in its formal sense, meaning *'the sustained difference that charity interventions make to the lives of individuals and society'* (Chaidali et al., 2022).

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7   Cairns (2021)

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Part one: What does the literature tell us?

Despite limited studies of how funders monitor and assess the impact of unrestricted grants in academic and grey literature, there is sufficient evidence to indicate a plurality of approaches. Theory and practice coalesce around four different 'impact types', whose key findings we share below. If you are interested to learn more, you can find full references for the literature we reviewed in the bibliography.

1. Organisational development

Identified by some researchers as the most appropriate way to understand the impact of unrestricted grants,[8] funders are encouraged to conduct vigorous due diligence in selecting funded organisations and then to *'step out of the way once the grant is made'*, confident that the funded organisation will be effective at achieving its mission and will deliver positive outcomes for community members. Funders can then concentrate on understanding how organisations develop while in receipt of funding.[9] Monitoring processes – often involving the collection and analysis of both quantitative and qualitative data–are designed to enable informed assessments of whether grantees are *'developing positively'* over time.

IVAR's recent research review[10] illustrates the many benefits of unrestricted funding which, although framed as benefits to organisations, all contribute to delivering impact in communities. In essence, stronger organisations do better work. And unrestricted funding creates more space for funded partners to make strategic decisions based on community priorities, rather than being funder-led.

2. Outcomes oriented

Setting programme or community outcomes and measuring how far they are achieved is the most commonly used impact assessment method in *restricted* grant-making. Outcomes are traditionally seen by many funders as a straightforward mechanism both for judging the performance of funded organisations and, in turn, demonstrating impact that is attributable to their own funding. In practice, the notion of a straight line between 'our money' and 'this impact' is at odds with the complex environment for social change and the many influences that play their part in what is achieved. And the assumption of an uncomplicated, linear and direct connection – between a series of inputs (money, people and other resources), charitable activities, their measurable outputs (people helped, sessions run and so on) and outcomes (the changes, benefits, learning or other effects that result from these activities) – is increasingly challenged in academic literature.[11]

Unrestricted funding is inherently about 'making a contribution' to a collective effort, rather than attribution of impact to 'our money'.[12] However, the 'attribution versus contribution' debate

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8   e.g. GEO (2022)
9   Wiepking and de Wit (2023); Scherer (2016)
10 Mills (2023)
11 Lowe & Plimmer (2019); Lowe (2023)
12 GEO (2022)

persists. As yet, there is little research evidence to assist unrestricted funders in considering the role of outcome analysis in evaluating impact in a more collaborative and flexible way.

3. Systemic change

Systemic change work involves pursuing lasting change by altering underlying structures and supporting mechanisms that make a system behave in a particular way.[13] By supporting organisations working within particular systems, or in defined geographic areas (commonly called 'place-based funding'), funders can contribute to changing how those systems work. Research identifies systemic change work as intrinsically collaborative, long-term and complex.[14] It is highly suited to unrestricted funding and calls for careful attention to developing meaningful and inclusive tools for assessing progress and impact.[15] Some funders have approached this challenge by commissioning independent external agencies to help them understand systemic change, usually drawing on a range of quantitative and qualitative data and considering multiple stakeholder perspectives.[16]

Unrestricted funding is inherently about 'making a contribution' to a collective effort, rather than attribution of impact to 'our money'.

4. Funder performance

Research indicates that the social benefit derived from a funder's resources depends not only on the performance of the organisations they fund but on their own performance as a funder.[17] Funding practices directly affect funded organisations and shape the funding environment in which they operate. Seeking grantee feedback – for example, through annual monitoring reports and review meetings – can help with the assessment of funder performance and adjustments to practice. However, recognising that power imbalances may inhibit charities from expressing critical views, many funders now commission periodic anonymous perception surveys of grantees, usually undertaken by a third-party research firm, providing a mixture of quantitative and qualitative data designed to help funders interrogate and improve their practices.[18]

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13 Meadows (2008)
14 Cairns et al (2024)
15 Rutsch (2019); Foster et al (2021); Weitzman et al (2023); IVAR (2016); Junge et al (2017)
16 Walker (2018); Foster et al., (2021); Weitzman et al. (2023)
17 GEO (2022); Buchanan et al (2005)
18 For example, over 300 funders now use the Center for Effective Philanthropy's Grantee and Applicant Perception Report

# Part two: How unrestricted funders approach impact

We interviewed nine funders, all of whom are committed to more equal relationships with the charities they support and have thought deeply about their approach to assessing the impact of unrestricted funding. In addition to the four impact types identified in the literature, our interviews suggest a fifth approach, which we characterise as *'adaptation oriented'*. Although our interviewees all frame their approach to impact primarily through one of these lenses, many use some of the other lenses in a supporting role.

Based on our findings, we offer a provisional framework outlining the characteristics of each approach, supported by an illustrative case study, before moving on to share the benefits and challenges that funders experience. Although there are distinctive differences between the funder's approaches, there is also much common ground – both in terms of preferred methodology and in the underlying principles that guide them. We hope that this will prove helpful to other funders in reaching a clear understanding of what 'impact' means to them, analysing what they need to know to make judgements about this impact, and then developing their approach.

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Developing a framework

A provisional framework for assessing the impact of unrestricted funding
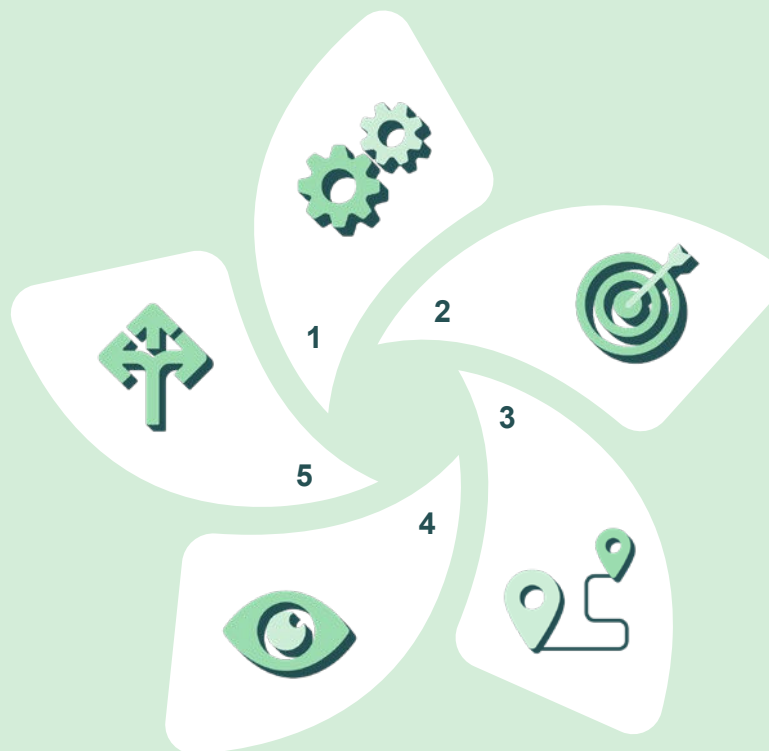
1. Organisational development:

Are we helping the organisations we support to get stronger, and how can we improve our contribution?

2. Outcomes oriented:

Is our funding helping organisations to deliver positive outcomes for their communities?

3. Systemic change:

Are we seeing progress being made towards our long-term change goals, and where can we exert positive influence?

4. Funder performance:

Does the way we fund grantees support them to deliver their best work, or could we do better?

5. Adaptation oriented

Do we understand the changing context for funded charities, and are we adapting quickly enough to better support them?

Below, we explore the framework in more detail. We have included an example for each approach from members of the Open and Trusting Grant-making community. Most of the funders featured use a blend of approaches and this is reflected in their stories. The title of each approach is based on the literature review and empirical research.

Organisational development

Are we helping the organisations we support to get stronger, and how can we improve our contribution?

Focus	Methods	Comments
• There is increasing evidence of the positive impact of unrestricted funding on organisational strength and capability. • Impact can be seen across strategic planning and decision-making, organisational capacity, financial health, human resource management, creativity and innovation, and adaptability. • Funders determine impact by assessing how organisations develop while in receipt of unrestricted grants, and how effectively their own financial and non-financial contributions support this process.	Funders' approaches are well-developed and characterised by: • Careful judgements about selecting grantees – and a clear focus on supporting them to succeed. • Treating impact assessment as a developmental process, not a 'pass/fail exercise'. • Usually involves the collection and analysis of both quantitative and qualitative data, ensuring that quantitative measures of organisational progress (e.g. KPIs and statistics) are meaningful to both funder and grantee. • Using conversations with funded organisations to capture qualitative data. • Funders use learning from cross-portfolio analysis to develop their own practice.	• This approach is common among funders supporting the growth and/or resilience of small and/or promising organisations (as in our case study), and those enabling high-performing charities to scale their work. • It can also work well for more generic unrestricted funding, enabling funders to make constructive judgements about the impact of unrestricted grants across broad portfolios.

In practice: Lloyds Bank Foundation for England and Wales

Lloyds Bank Foundation for England and Wales ('LBF') is committed to measuring, evaluating and learning about the impact of its funding. LBF runs various grant programmes and uses a variety of methods for assessing impact. One of its key programme aims − through a combination of multi-year unrestricted funding and organisational development support – is to *'maximise the resilience'* of small and local charities working with people facing complex issues and barriers.

LBF performs extensive due diligence on organisations before awarding grants and is confident that those it supports deliver impact for their communities. This means that, in assessing the impact of the grants programme, LBF can concentrate on *'understanding how its funding helps organisations to change and develop'*.

LBF uses an annual monitoring form to capture information on grantees' work over the past year and to identify the challenges they are facing. Eight short questions cover the charity's financial position, how the grant was used, the number of people supported and their changing needs, notable successes and challenges, what help the organisation needs, and any other feedback for LBF. Most of this data is qualitative. While it captures some quantitative data, LBF recognises its limitations: *'While you could use organisational income as a measure of organisational development, what if a charity suddenly receives a large legacy?'*.

LBF grant managers hold mid-grant learning conversations with all grantees, using a structured schedule of questions to guide the discussion. Typically, *'these conversations uncover information not captured by monitoring forms'*. They also provide an important opportunity for identifying organisations' support needs, which helps to remind everyone of their shared focus on seeing grantees develop and succeed.

Grant managers record and write up notes from learning conversations. Together with the annual monitoring forms data, these are passed to LBF's research and learning team for analysis. LBF uses qualitative data analysis software (MaxQDA) to code data systematically and produce a thematic analysis (a widely used method for analysing qualitative data in the social sciences) to draw out key trends. LBF then uses this analysis to help it identify how funded organisations are developing and changing. It also informs the design of LBF's future grant programmes and organisational development support work, as well as contributing to its policy, research and campaign activities *'to champion the role of small and local charities'*.

Outcomes oriented

Is our funding helping organisations to deliver positive outcomes for their communities?

Focus	Methods	Comments
• Adopting an outcomes orientation with unrestricted funding does not require charities to artificially segment their outcomes 'by project' (as may happen with restricted funding) but to engage with them on a 'whole organisation' basis. • Although other funders review outcomes, only one of our nine interviewees used outcomes as its core approach to impact assessment. This reflects both a reaction against the use of outcomes as a performance management mechanism in restricted funding, and a rejection of the notion of a direct line of attribution between 'our money' and 'these specific outcomes'.	• Although not wishing to claim charity outcomes as their own, some funders wish to aggregate outcomes data as part of their impact analysis. • The challenges of aggregating outcomes across broad portfolios are very familiar to generalist grant-makers of all kinds – especially where they are committed to using indicators that are meaningful to grantees and not 'funder-driven'. • These challenges do not arise when the funder's own outcomes focus is very tightly defined and these outcomes are highly predictive of impact, very measurable and well established in their sector.	• Outcomes matter to funders and to charities – and both have invested heavily in trying to understand them better. • But their common use only as pre-agreed performance targets to hold grantees to account seriously undermines their value in helping either funders or charities to make informed judgements about 'what next?'. There are considerable opportunities to reframe the use of outcomes support within the more forward-looking and collaborative approaches to impact assessment sought by charities and unrestricted funders.

In practice: Impetus

Impetus transforms the lives of young people from disadvantaged backgrounds by ensuring that they get the right support to succeed in school, work and life. It pursues this mission by funding high-potential organisations *'to become stronger, better, and bigger'*. Impetus provides them with long-term unrestricted funding, the expertise of its own team, and access to a network of pro bono support.

Impetus maintains a sharp focus on transforming young lives and concentrates on helping young people to achieve four key outcomes, namely: age expected SATs at 11; GCSE English and Maths by 19; access to university; and being in education, training or employment. Impetus chose these outcomes because they are highly predictive of young people's lifelong outcomes. They are also very measurable.

Impetus seeks out *'high potential organisations that share its focus of achieving one or more of these key outcomes for young people'*. By supporting such closely aligned organisations, Impetus cuts through the challenges faced by some other funders in developing meaningful impact assessment models focused on outcomes across wider portfolios.

Every organisation funded by Impetus collects data to track performance against one or more of the four t outcomes for young people. Impetus analyses this data, benchmarking performance against outcomes achieved by a group of similar organisations. Those funded by Impetus typically outperform their benchmark group. Since these organisations work with young people over many years, it takes time for outcomes data to accumulate, so Impetus uses a comprehensive outcomes framework and portfolio dashboard to monitor progress.

Impetus puts organisational development at the heart of its offer, working *'shoulder-to-shoulder with their leaders to help them become stronger organisations that transform the lives of the young people they serve'.* Mixed methods are used to assess organisational development. Impetus tracks various quantitative organisational performance measures, such as income growth, additional funding streams and the number of young people helped, as well as collecting qualitative data through regular meetings with CEOs and impact leads. This data is then analysed *'to develop an understanding of how individual organisations are progressing and what support they need'*, feeding into the grant portfolio dashboard which monitors their progress. Impetus also collects feedback on the impact of its own performance as a funder through periodic surveys measuring the value the partnership brings to them. The resultant 'net promoter score' helps Impetus track what influence it is having on the organisations it funds.

Systemic change

Are we seeing progress being made towards our long-term change goals, and where can we exert positive influence?

Focus	Methods	Comments
• Funders determine impact by assessing what systemic change has been achieved at an issue, community, or geographic level. • Recognising the complexity of most systems, they appreciate the need for collaboration and that their funding generally plays only a small part in achieving change. • They understand that meaningful change takes time and adopt a long-term, patient approach.	• Monitoring practices focus less on individual grants and more on what is happening in the system and how grantees are contributing to change. • Since impact is assessed on a macro scale, evidence is collected from a range of stakeholders and includes a mix of qualitative and quantitative data. • As in our case study, funders use tailored frameworks to structure data collection, maintain oversight and support learning over extended timeframes.	• Although impact assessment and its time scales are built into systemic change strategies, it can be challenging to maintain a shared sense of progress over long timeframes, especially for funders new to this approach. • Periodic reviews are important opportunities to take stock of progress and explore where funders' own contribution might be improved.

In practice: Esmée Fairbairn Foundation

The overarching aims of Esmée Fairbairn Foundation ('Esmée') are to *'improve our natural world, secure a fairer future, and strengthen the bonds in communities in the UK'*. Across these three aims, Esmée's 2023-2030 strategy identifies nine impact goals and 13 priority issues to progress systemic change. To articulate the type of change it wants to see, Esmée has identified a handful of desirable long-term outcomes for each priority issue. It provides multi-year unrestricted grants to charities in pursuit of these outcomes.

Esmée is *'concerned about long-term impact and wants to understand how the charities it supports are making progress towards positive change'*. Recognising the scale and breadth of the social and environmental change it targets, *'Esmée knows that its funding can only ever make a contribution to the collective effort'*, with many other factors influencing whether change is achieved. Esmée also understands the need for systemic change funders to take a long-term perspective and to commit wholeheartedly to the learning and adaptation that it requires: *'When it comes to reviewing progress towards our strategy, we will use a timeframe*

of years rather than months. This recognises how long it takes for work to have an impact, and also ensures we're ready to use what we learn to make changes to the strategy'.

With a seven-year strategic framework, Esmée decided to use external consultants to review progress towards priority issues. The review is a chance to take stock and understand where Esmée is making an impact, and where the foundation might want to refocus, double-down or make small adjustments to its strategy. It will publish these 'mid-strategy reviews' to share findings and recommendations. The first, a [mid-term strategy review on Nature Friendly Farming](#), was published in December 2023. In preparing their reports, independent reviewers consider four context questions, in addition to two about the progress of the funded work. This keeps the focus on the bigger picture and what has changed in the context for the strategy in terms of funding, policy, levers for change and blockers for progress. Consultants carry out desk research and semi-structured interviews with a range of grantees as well as people who share Esmée's goals but may have very different views on how to make progress towards them.

When it comes to understanding the difference that Esmée's work and funding is making, reviewers can use two sets of data: (i) annual progress reports submitted by grantees, which can be in any format (impact report, annual report, or report written for another funder), meaning that impact is tracked, understood and shared in the most relevant way for the work; and (ii) reflections from mid- and end-of-grant learning conversations summarised by funding managers. Before making a grant, funding managers agree up to three key outcomes and indicators for the work. These do align with Esmée's strategy, but are so wide-ranging that it is challenging to aggregate and summarise impact. Esmée will shortly be transitioning away from individual grant outcomes to asking applicants and funded organisations to share their planned contributions to the long-term outcomes in Esmée's strategy, and gathering evidence of progress during the funding period.

Funder performance

*Does the way we fund grantees support them to deliver their best work,
or could we do better?*

Focus	Methods	Comments
• Funders determine impact by assessing how their own practices affect the organisations they fund and shape the funding environment in which they operate. • A key concern is to reduce the inhibiting effect of power imbalances and elicit open feedback.	• Many funders use anonymised grantee perceptions surveys to encourage frankness and gather a range of qualitative and quantitative data to help them improve. • Some ask for feedback during review meetings – working to manage power imbalances by, for example, being clear about the focus on learning, sharing well-structured questions in advance, or involving more than one person.	• Many funders assess their own performance as a subsidiary impact concern, although our case study funder puts '*being a better partner*' at the heart of its impact approach.

In practice: Peter Minet Trust

Peter Minet Trust ('Peter Minet') supports small and local charities in the London boroughs of Lambeth and Southwark. It funds charities that are rooted in their communities and work with local residents to overcome severe and multiple challenges. Peter Minet typically makes unrestricted grants of up to £30,000 a year for three years and currently supports 13 charities. It trusts these organisations to respond to local needs and know how best to spend their grant.

Peter Minet emphasises *'the importance of relationship building and power sharing across all aspects of its grant-making'*. Recognising that its own funding practices shape the funding environment in which local charities operate, Peter Minet focuses its approach to impact assessment on its own performance as a funder, using the overarching learning question: *'How can we be the best possible partner to groups and organisations?'*.

Peter Minet works to maintain consistency across its data collection process by using a learning framework, which seeks to understand grantees' organisational challenges and successes. It asks a series of action-orientated questions:

- How can Peter Minet contribute to the future stability of partners beyond the lifetime of the grant?
- What would be the impact on the charity partner of Peter Minet stopping funding?
- What adaptations should be made to evolve Peter Minet's grant-making model and future strategy?

In addition to other conversations over the period of a grant, Peter Minet holds annual catch-up meetings with all grantees to address the learning questions. While this review process does offer an opportunity to identify any major causes of concern, *'its primary focus is on enabling Peter Minet to gather data to feed into the learning framework, identify key themes, and shape its own future actions as a funder'*. At the same time, Peter Minet is committed to learning about what grantees are delivering and the difference made to their local communities; it does this through conversations, stories and visits. This is an important part of its strengthened renewal framework so it can be comfortable that key criteria are met including, for example, that the grantee is still delivering its mission.

To support consistent collection of data, Peter Minet uses a standard schedule of learning questions, which are written up using a standard matrix. Peter Minet builds close relationships with the organisations it funds. Wherever possible, a trustee joins Peter Minet's Director (its only staff member) to bring a fresh perspective to these discussions. Notes from the catch-up meetings are analysed alongside other data collected from grantees' published reports, accounts, websites and social media. Overall, Peter Minet's learning process is designed to *'build a body of evidence'* to capture usable lessons and insights that will help trustees make informed decisions about how to become a better partner to the charities it funds.

Adaptation oriented

Do we understand the changing context for funded charities, and are we adapting quickly enough to better support them?

Focus	Methods	Comments
• Funders regard linear models of impact as an unhelpful oversimplification of the complex interaction of actors and uncontrollable events that influence whether hoped-for outcomes are achieved and sustained. • In this context, they are unconvinced by the plausibility, rigour or value of attempts to 'measure our impact' in social action and do not attempt it. • They see impact as incremental, achieved by continuous learning and improvement – a journey not a destination.	• Selecting suitable organisations and *'letting them get on with their work'* is the key to *'unlocking impact'*. • Routine monitoring is very 'light touch', using annual/generic reports with little or no tailored written reporting. • The top priority for (usually annual) catch-up meetings with grantees is to enable open conversation about context, challenges and opportunities. • This enables funders to take agile and better-informed action to support grantees and improve their own contribution to change.	• Funders recognise that they stand outside a norm of impact measurement that has become increasingly prevalent over recent years. • They have determined their approach to impact with careful thought and attention to both their views on how change happens and their values. • Our case study illustrates how crucial the alignment between trustees and staff is in enabling these funders to take a different path.

In practice: Pears Foundation

Pears Foundation ('Pears') is an expression of the philanthropic interests of the Pears family, who have given more than £450m to charity since the Foundation was established in 1991. Pears focuses on building long-term relationships with its grantees, providing unrestricted funding and offering additional support through organisational and leadership development programmes. Its approach reflects the family's commitment to supporting organisations to do what they do well by building *'a real relationship that is forged over time around issues of mutual interest'*.

Pears is *'driven by a desire to demonstrate the good that philanthropy can achieve in the world'*, but is largely untroubled by questions of empirical impact measurement. Seeing social action as a complex and collaborative endeavour, it is not looking to claim impact for itself and is unconvinced of the value of many efforts to do so: *'We recognise that our money goes into a bigger pot. However large our philanthropic input, it is often dwarfed by the scale of the issues, so we can't reasonably claim impact'.*

For Pears, making long-term unrestricted grants is an act of trust and partnership which is ill-suited to one partner measuring the impact of the other. It takes the view that the way the concepts of monitoring, evaluation and impact measurement are often used stand in the way of meaningful relationships between funders and grantees and inhibit both in their ability to do their best work. What matters most to Pears is frank and honest dialogue so that it can understand the challenges its partners face and the context in which they are working. This enables Pears to provide intelligent and informed grant and non-grant support to help them through: *'When a grantee shares challenges or mistakes with us our role is to help them adapt and learn'.*

As a result, Pears puts its efforts into selection and dialogue, not accountability. It looks for effective charities to support in areas that interest the family, and invests heavily in its due diligence process to get to know the organisation and assess its capacity. Pears has already built trust and confidence in its successful grantees, only asking them to commit to the relationship, not to continue to prove the value, importance or impact of their work.

Pears' formal monitoring practices are designed to be 'light touch'. It asks grantees to submit a report each year but is happy to receive this in whatever style works best for the charity. There are face-to-face meetings between Pears and funded charities at least once a year. Grantees share achievements and challenges, and reflect on progress. Pears listens, learns, discusses and explores where it may be able to add value and support. It has mechanisms to share its learning internally, developing its shared understanding of its areas of interest, critical developments and the contribution it can make but, since Pears does not seek to assess impact, it does not systematically analyse the information through this lens.

Benefits and challenges

We found benefits in funders' approaches to assessing the impact of unrestricted grants that have long been priorities for funded organisations. It is also clear, however, that these funders are forging a relatively new path and recognise the need to be alert to challenges and adjust their practice in the light of experience and rigorous analysis. Five key findings stand out.

1. Reducing the reporting burden on funded organisations

Funders are mindful of a duty to balance their data collection requirements against the reporting demands they place on funded organisations. They minimise the use of tailored reporting using − wherever possible − data already being collected by grantees, and annual and routine reports produced for others. Any special requirements are determined by mutual agreement. Most felt they had made good progress, not least because they had accepted responsibility for more of the work involved in gathering and recording data to meet their needs as funders.

2. Placing a greater focus on conversation

Almost all funders use annual catch-up conversations to gather qualitative information for their impact analysis or learning purposes. Having face-to-face conversations with funded organisations allows for a two-way dialogue and helps to reorient the annual review process towards mutual learning.

> *Funders are mindful of a duty to balance their data collection requirements against the reporting demands they place on funded organisations.*

3. Developing trust

Funders found that their unrestricted funding impact practices supported stronger and more trusting relationships with funded organisations. They were learning more because organisations felt better understood and more supported – and more willing to share information. These benefits increase with security of funding agreements. Short-term funding or using annual review meetings as a trigger for releasing grant instalments may encourage funded organisations to *'paint a positive picture'* for fear of jeopardising the next payment.

4. Rethinking timeframes

While all funders enquire once a year about progress, some are increasingly doubtful that annual cycles are appropriate for assessing impact. 'Systemic change' funders have the longest time horizons, recognising the need to *'stick with it'* if change is to be achieved. 'Organisational development' funders are similarly aware that organisational change takes time, and that three years may be a more reasonable timeframe for assessing impact. However, the shift to longer timeframes feels challenging when so many reporting norms are based on annual cycles.

5. Looking for objectivity and rigour

Funders are exercised by the challenge of achieving consistency and objectivity in the collection and analysis of impact assessment data. Few collect tailored quantitative data, and many rely heavily on qualitative data drawn from conversations with funded organisations. We heard concerns about the potentially distorting effect of power dynamics and relationships between staff and funded organisations.

Actions funders take to minimise these risks include:

- Using impact frameworks and standardised interview questions to increase consistency and focus of data collection and analysis
- Bringing different people into conversations
- Passing data analysis to staff with no direct grantee relationships
- Using qualitative data coding software to add further analytical rigour
- Using external evaluators

Building more equal and open relationships is a priority for most unrestricted funders. As in any 'relational' funding model, this calls for clarity about the nature of the relationship and its limits, as well as training and support for staff in engaging equitably with a range of partners and their organisations.

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Part three: Analysis and reflections

An open and trusting approach – five suggestions to improve unrestricted funding impact practice

1. Using strategy to drive impact assessment practice

Our interviews highlight the diversity of funders' considerations in relation to impact. There is no simple – or right – answer to the question, *'What does "impact" look like and how do we assess it?'*. Every funder must make this judgement in the light of its own strategic purpose, its values, and its priorities as a supporter of social change. And all must test the realism of their impact assessment aspirations against the size of the grants they give and the competing priorities for the time and capacity of both funded organisations and themselves.

All the funders interviewed have given time and attention to these critical questions. The framework we have drawn from their collective experience of the opportunities and challenges offers tangible guidance for others to build on. We hope it will enable many more to develop a realistic and meaningful approach to assessing the impact of unrestricted funding, delivering value to both funders and grantees, and supporting more open and trusting funding relationships. The evidence is consistent across impact types: funders do best when they adopt a pragmatic approach, using a mixture of qualitative and quantitative data to assess the impact of unrestricted grants and draw out actionable intelligence to shape future practice.

2. Adopting a strategic learning approach

The principles of 'strategic learning' help to ensure that the monitoring and assessment of impact remains in lockstep with the strategy it supports. Strategic learning is specifically concerned with how board members and senior staff use the full range of intelligence drawn from the impact assessment process and other sources of data, experience and expertise to make judgements about 'what next?' The commitment is to ensure that *the lessons that emerge from evaluation and other data sources will be timely, actionable, and forward-looking, and that strategists will gain insights that will help them to make their next move in a way that increases their likelihood of success'.*[19]

This concept has proved helpful to trustee boards in reconciling a perceived tension between 'formal governance responsibilities' and 'learning' – often predicated on an unhelpful notion that governance is all about formal accountability and learning is, somehow, a 'nice to have' luxury. A strategic learning approach places the development and oversight of strategy at the heart of the board's governance function, helping to balance scrutiny and oversight with curiosity and adaptation.

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19 Coffman and Beer (2011)

3. Championing impact as a collective achievement

Funders do not have to *prove* the precise impact of their money to demonstrate responsible stewardship of their assets or to make informed judgements about their contribution to positive social change. We found considerable frustration that the 'attribution or contribution' debate continues to be such a dominant influence in approaches to monitoring and assessment of impact. It draws energy and intelligence away from much more fruitful discussion about who determines what impact looks like and how progress towards it can best be judged. And it obscures the fact that these answers will be very different for a targeted systemic change intervention, a programme to support organisational development and an open grants programme designed to alleviate immediate needs in the poorest communities.

Thoughtful impact measurement adds value, but the answers to complex questions about what to do next are not found in any single source of data. At the heart of sustainable impact sits a commitment to a trust-based learning approach[20] which:

- Values the perspectives of funded organisation staff as experts
- Reduces foundation-driven demands on funded organisations' time
- Protects funded organisations' agency and flexibility
- Addresses questions that matter to funded organisations
- Diversifies the range of information brought to the table

Using a trust-based learning approach helps charities and funders engage as equal partners in building collective wisdom around impact to advance equitable and effective social change. It privileges neither the power of money over the lived experience and expertise of communities and practitioners, nor the appeal of 'hard metrics' over diversity of data.

Funders must test the realism of their impact assessment aspirations against the size of the grants they give and the competing priorities for the time and capacity of both funded organisations and themselves.

4. Taking a fresh look at outcomes

First introduced at scale into UK grant-making during the 2000s, the practice of setting and measuring outcomes is now widely embedded in funding models. And many charities and funders use outcome-based theories of change to help them understand and support pathways to change. However, our interviews found that few funders gave outcomes a prominent role in their approach to monitoring and assessing the impact of unrestricted funding.

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20 Cairns and Davis (2023)

At least in part, this reflects the 'baggage' outcomes carry from their use in restricted funding, not only as a mechanism for attribution of impact to funders but also in their common application as hard measures of performance. Funders who choose to make unrestricted grants often do so because they recognise that change is complex and want to transfer power to grantees and give them space to adapt to a changing world. With this emphasis on adaptability, it is perhaps unsurprising that they are looking for more nuanced and flexible ways of judging impact.

A key question is whether the problem lies with outcome assessment itself or with the straitjacket that outcomes have been put into in support of restricted funding models. Thinking carefully about outcomes, how to achieve them and how progress can be judged is a valuable discipline. But, over time, the balance has shifted so that many restricted funders (rightly or wrongly) are seen as paying for pre-agreed outcomes, which funded organisations are accountable for delivering. This inhibits charities' flexibility and responsiveness to changing needs. And, when good performance comes to be defined as 'achieving the outcomes we said we would achieve', everyone's ability to use outcomes to support their judgements about how to improve their contribution is compromised.

Significant resources have been invested in defining and understanding outcomes over the years and both charities and funders deserve a more meaningful return on this investment. There is clear scope for unrestricted funders and the charities they support to reframe the use and analysis of outcomes in the impact debate − away from being seen predominantly as backward-looking mechanisms concerned with funded partner performance and 'what specific impact did our money buy?', and towards being valuable sources of intelligence in deciding how best to move forward in supporting sustained change.

5. Entrenching reflective practice

That funders should constantly reflect on their approach to understanding, monitoring and assessing impact is arguably the most important finding from this research. Taking account of values, biases, and their own presence in the situation they are investigating is fundamental to drawing reasonable conclusions from the data they collect and analyse. In a complex social world, impact can rarely be captured by simple measures, so an ability to make sense of the world, surface subjectivities and make informed judgements becomes a vital feature of any approach to understanding impact and using this learning to shape future practice. Consciously integrating such reflexivity can enable funders to drive greater understanding of, and meaning to, their work. It will require a different, more open and trusting mindset at the heart of funding practice − one that accepts the complex and collaborative nature of impact, and approaches it not as an auditor of the performance of others but as a partner in progressing positive social change.

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