

Under the bonnet  
of unrestricted  
*with Texel Foundation  
and partners*

*July 2023*

*In this series, funders share their  
thinking about unrestricted funding –  
and invite their funded partners  
to reflect on the difference it makes.*



# Understanding you are part of a bigger picture

Katy Beechey, Texel Foundation

*Texel Foundation is the independent, corporate foundation of the Texel Group (a global credit and political risk insurance broker). We give a significant percentage of net profits in grants to organisations around the world which promote the causes we care most about: health, education, social mobility and artistic opportunity.*



As funders, we aspire to make a meaningful difference, through the grants we offer, to partners we trust. A question which underpins our decision-making at Texel Foundation is: 'How can we do that most effectively?'

We have always been focused on building good relationships with organisations we believe in. We are a proactive funder, in the sense that we approach charities we believe are a good fit for our charitable aims, rather than having a lengthy, open application process. We found that offering our charity partners unrestricted funding helped to further establish a trusting relationship with them, and also helped us to see ourselves as part of something bigger.

## How we decided that unrestricted funding was right for us

We haven't always offered unrestricted funding, but it has always been on our radar. From conversations with our partners, I heard that it was important to them, but not something many other funders offered at the time. This piqued my interest and I started to seek out information: what are the benefits of unrestricted funding and how were other funders doing it? I came across a report from IVAR called '*The Holy Grail of Funding*'. The evidence and examples in this report gave

me the confidence to follow my instincts and propose a new strategy to our trustees. One quote in particular really hit home:

*'We need to see ourselves in the long run, as investors rather than purchasers of outcomes.'*

–Nigel Woof, Trustee of the William Grant Foundation

For us, as a corporate foundation, drawing comparisons to business investments helped to highlight the value and sense in offering unrestricted funding. I reminded our trustees that they would never buy a business then carve out core costs such as utilities or salaries; and the same is true for our grant-giving. It doesn't make sense to cherry-pick if we believe in the potential and mission of the organisation as a whole. This was enough to convince our trustees to be very supportive of moving to unrestricted funding.

## Why unrestricted funding matters

The benefit of offering unrestricted funding to our partners is clear. On one occasion, a charity leader cried when I told her that we would like to give them an unrestricted grant. And that reaction really struck a chord and stayed with me. I hadn't realised what a relief it was to them to not have to think about the burden and anxiety around reporting and juggling project income. Our more open and trusting approach has also meant that we're no longer requesting and reviewing reams of documentation just because we feel we ought to. We review what's relevant, run the necessary checks and speak to those on the ground, who are the experts. It's more efficient and effective all round.

Most importantly, it has led to us having a more balanced and equitable relationship with the organisations we fund, making us feel like a valued partner to them. We want our grantees to feel comfortable reaching out to us and sharing their challenges. We want them to feel empowered to make tough decisions, knowing that they have our trust and support. It is as much about the relationship as the grant itself.

## Why funders need to reframe impact

One of the reasons that some funders may be hesitant to offer unrestricted funding is fear of not being able to 'measure impact'. As a funder, I understand your concern – we want to see clear evidence that the money we have given charities has made a difference. However, by reframing our understanding of impact, we can see that unrestricted funding doesn't weaken impact – it strengthens it.

Unrestricted funding allows us to zoom out and adopt a holistic approach to impact. Our dialogue switched from 'Here's an amazing pre-school we funded in rural Zambia' to 'This year we've supported this fantastic organisation and here are just some of the ways they've

been making an impact'. You understand that you are part of a collective, bigger picture.

## Don't assume that unrestricted funding carries more risk

Another concern for some funders is the idea that unrestricted funding is riskier. Why? 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.

### Advice for other funders

#### Question your assumptions

When considering shifting to unrestricted funding, question your assumptions:

- **Grants staff:** question assumptions you make about your trustees – they may be more willing to shift than you think!
- **Foundation trustees:** question assumptions about how funds will be utilised – remember that charities are the experts in delivery.
- **Charities:** question assumptions that funders won't be receptive – ask them if they would be willing to offer unrestricted funding and share with them how impactful that would be.

We can all go some way to making grants less restrictive by continually reviewing and evolving our processes. We expect our charity partners to evolve and adapt to new challenges – so should we!

# Unrestricted funding means we can bring in the community to make decisions that affect them



Keir Drinnan, Cambodian Children's Trust

*Cambodian Children's Trust is a charity that works to prevent the structural root causes of multidimensional poverty. Our ultimate aim is to shift power in local communities and create a sustainable and scalable social protection and child protection system in Cambodia.*

As a charity that works with local communities to address the structural causes of poverty, sustainability is very important to us. Our aim isn't to be in the community forever, but for the local community to be empowered to take over our support offer, and ultimately to scale up our services to make them replicable

to government. We want to create a lasting legacy in communities once we exit. A struggle to achieve this is finding funders who are on board with how we operate; we work with families and communities, rather than dictating what we think they should do, and believe that the community should drive decision-making.



## Why unrestricted funding matters

While the majority of our funding is unrestricted through public donations and various foundations, we do have a significant amount of project funding which heavily restricts how we can interact with the local community. For instance, for some projects we can't use local vendors as we can only get supplies from vetted suppliers. Unrestricted funding allows us to have more flexibility in where money is spent, and allows us to be innovative in our approach, taking our lead from the local community. The benefit that this has to the local community and the families we support is huge. We co-design services with the people we support based on their needs, making sure families and communities are not dependent on NGOs, and these services are more likely to continue once we exit.

Restricted project funding has its place, but is often a band-aid to a problem rather than addressing the root causes of the issue. It is often directed towards crisis services and responses rather than prevention and early intervention services. For example, restricted funding may support reintegrating children into their families, but doesn't help us tackle the issues that have led to this separation in the first place – multigenerational poverty can't be fixed in a two-year funding cycle! Ultimately, unrestricted funding shifts the decision-making away from donors, and into the hands of the local community, who can take ownership of these services once we exit.

## Advice for other funders

### Review if your funding matches what you want to achieve

Have a look at what you want to achieve and ask yourself what type of funding allows you to achieve this. Often, funders will want to see long-lasting impact and sustainability. However, in reality what can be attributed to restricted funding is only outputs. NGOs spend time building trust and relationships with donors, and administration on reporting and donor communications. Surely local organisations and communities are best informed on how to solve complex problems that impact them. For this to happen, the community really needs to be on board with what the charity is trying to do, and the best way to ensure sustainability is multi-year, unrestricted funding.

# Unrestricted funding allows funders to hear the whole orchestra, rather than just the violin section

Jamie Fyleman, Justice and Care



*Justice and Care is a multi-award winning anti-slavery charity which works with police to identify and bring to freedom victims of modern slavery. We help survivors rebuild their lives whilst pursuing those responsible for human trafficking. We use our frontline experience to partner with governments to deliver large scale, replicable change.*



We are hugely grateful for any type of funding we receive, be that restricted or unrestricted. That said, unrestricted funding is like gold. It allows us to focus on work where it is most needed and offer support to victims of slavery outside of designated project funding – and for funders it provides a more holistic view of our organisation and the impact we have.

Some years ago, I had the privilege of joining a leadership training day with the Philharmonic Orchestra. I sat in different parts of the orchestra during the course of the day – first near the violinist who sounded amazing, and then near the drum section. Whilst the drummer is instrumental in keeping the orchestra to time – and also of course creating rhythm – standing next to him the orchestra sounded flat and out of kilter.

Finally, I got to stand next to the conductor. The sound there was something else. You heard the fullness of the sound just as the composer had imagined it.

If you think of our organisation – any organisation – as an orchestra, the violin section could be the frontline work which funders are eager to fund, and the drum

section could be the admin involved with keeping our work going – less appealing to funders, but still essential. Often donors will want to be in front of the violin section because it sounds a bit better than the drum section. What they're better to do is to stand where the conductor is standing and listen to the whole orchestra. For those that give us unrestricted funds, that's what their giving offers.

## Why unrestricted funding matters

The danger with restricted project funding is that organisations create programmes where there is the most energy from funders; but this approach leaves significant gaps. There may be avenues that we wish to go down because we are very confident it will make a difference to victims of slavery, but struggle to get project funding for the work. We rely on unrestricted funding to make that sort of work possible, and to fill gaps such as paying for fundraising or for great monitoring and evaluation. More unrestricted funding means that we can fund work that maintains our organisation and makes a real impact on the people we support.

Unrestricted funding also helps us to build better relationships with our funders. When funders offer unrestricted funding, we know it's because they believe in our charitable aims. Rather than asking us for very specific proposals which take a long time to put together and increase reporting constraints, it's really helpful when a funder says, 'We really like who you are, let's get to know your work in detail and let you decide where the funding is most effectively placed, because we're interested in the whole of the sound that you can make'.

### Advice for funders

#### **Talk to the charities you support about their experience of unrestricted funding**

Many of the charities you support will also receive unrestricted funding from another funder. Talk to those organisations that you really trust and ask them the benefit that unrestricted funding has had. When you get that answer and understand its impact, you may well find that unrestricted funding is something that you want to introduce.

# Join the Open and Trusting community



Texel Foundation is one of over 100 UK funders who are working together to adopt more open and trusting practices, that make life easier for those they fund. We recognise that each funder faces different constraints, and we believe that everyone can go further.

By joining the Open and Trusting community, you can:

## Access our Community of Practice

Held online three times a year, our expert facilitators hold discussions between funders where people share live challenges, offer peer support and help shape ideas for new research.

## Engage your trustees

We run bespoke sessions for individual boards to introduce the Open and Trusting commitments, highlighting key areas for practice development and exploring specific barriers or concerns about going further.

## Participate in research

We are currently focusing on four areas of research – unrestricted funding; grant reporting; equity and applications; and public agency funding. Taking part can enable deeper reflection and practice development within your organisation, and/or with funded organisations and partners. It's also an opportunity to share your learning with a wider audience.

## Be held accountable

We create opportunities for dialogue between charities and funders, which provide opportunities for challenge within the context of a community on a positive journey, learning and improving together. This includes a collaborative review every two years which you can read more about in *Charities in the driving seat: Findings from the first Open and Trusting Grant-making accountability process.*

You can sign up to Open and Trusting on [our website](#), by clicking the button in the top right of the page.

If you would like to find out more, please don't hesitate to get in touch with us by emailing [enquiries@ivar.org.uk](mailto:enquiries@ivar.org.uk)