Risk framework

A tool to review your organisation's attitude to risk in grant-making

Open and Trusting funders explicitly commit to being clearer and more realistic about their attitude to risk in grant-making and more balanced in their attempts to manage it:

Open and Trusting commitment 3: Accept risk

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

But risk comes up time and again as a barrier for many in fully implementing the eight commitments at the heart of the Open and Trusting approach, with trustees and grants staff often talking at cross purposes because 'one party is concerned about the risk of wasting money; the other is concerned about the risk of failing to achieve impact'[1]. Without a greater shared understanding of *what funding risk looks like and who carries it*, many efforts to mitigate risk are misdirected, and much of the social value of risk-taking is unrealised. This new tool can help to break this deadlock.

Risk in grant-making can be grouped into four distinct types:

1. Financial risk

2. Reputational risk

3. Governance risk

4. Impact risk

Each type of risk has its own considerations, and their importance will vary between organisations, and possibly within grant programmes. Attitudes to risk in each of these types informs grant-making practices, from what information is required in funding applications to the level of reporting provided by funded partners.

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[1] Winkelstein, M., & Whelpton, S. (2017) 'Foundations Don't Know What They're Risking' in *The Foundation Review*, 9(2).

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This tool has 35 questions that will provide you with an overview of your organisation's attitude to risk, and help you assess the extent to which your grant-making practices are aligned with your attitude to risk.

How to score your risk attitude

This tool uses a scoring system to plot your organisation's attitude to risk in grant-making. *The scores are indicative and subjective*. They are intended to illustrate where attitudes to risk are not aligned with grant-making practices. They may also be useful in providing a point of comparison between staff and trustees in the same organisation.

There is no ideal risk attitude or number. For some types of risk, it may be prudent to have a lower risk attitude and, for other types, a higher risk attitude. For example, a keen adherence to ensuring staff are confident around safeguarding is a helpful approach.

Your responses may vary depending on the specific funding stream or programme: in these instances, it may be valuable to use the tool separately for each distinct strand of your work, or create a composite score that reflects a position between your various approaches.

1	2	3	4	5	6	7	8	9	10
Lower risk attitude			Moderate risk attitude				Higher risk attitude		

How to use this tool

This tool aims to be comprehensive about risk in grant-making, but if you're just starting out it could be used to initiate conversations about risk internally as well as to review changes to risk attitudes and grant-making practices over time. As with all eight of the Open and Trusting commitments, every funder is on their own journey and has different starting points.

You can use this tool as an individual, with your grant-making team, or with your wider organisation, discussing and comparing your responses as you complete the questions. There is an option to save your progress and come back to the tool over time. It is intended to prompt reflection and discussion and not to be used comparatively with other funders.

At the end, we'll ask for your email address so that you can receive a copy of your responses. Your email address (the only identifying data) is stored separately from the data on risk. Both sets of data are stored on the website with password protection. See our Privacy policy for more information. We may follow up with you at a later stage to learn more about your experience of using the tool.

The anonymised data will be stored on our website to enable long-term review; however, all users will have the option to permanently delete their data at any time once they have completed the tool.

There is also an option for you to share your responses anonymously and to give us permission to use your data to inform our research. Any data from this tool used in reports or presentations will be anonymous. The data from this tool will help us to better understand how grant-makers across the sector view risk and how risk shapes grant-making practices. This data may also help us to track how attitudes to risk shift over time. Please get in touch with us (alex@ivar.org.uk) if you have any questions about using this tool.

Background

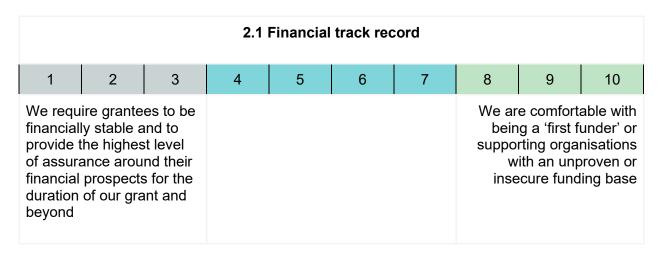**A: Select your type of foundation:**
[drop down menu]

- ☐ Community foundation
- ☐ Corporate foundation (set up by a business)
- ☐ Family foundation (funded principally by the personal gift of an individual, family or family business)
- ☐ Fundraising grantmaker (raises money from the public to make grants)
- ☐ Member/trade funded (funded by members and trade bodies)
- ☐ Charity grantmaker (makes grants alongside other charitable services)
- ☐ General foundation (other trusts and foundations)
- ☐ Lottery distributor
- ☐ Government (central, local or arms-length body)
- ☐ Government/lottery endowed grantmakers (established by government or lottery bodies but independent of them)
- ☐ Other (please specify):

B: What is your annual giving?
[short text box]

C. Are you a member of the Open and Trusting community?
Yes/No

D. Please provide your email address to receive a copy of your responses:

E. Consent

- ☐ Please tick the box if you're happy to share your data anonymously with IVAR for the purposes of research

1. Defining risk

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

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

1.2 Does your organisation have an agreed definition of risk? If so, please describe.

2. Financial risk

2.1 Financial track record									
1	2	3	4	5	6	7	8	9	10
We require grantees to be financially stable and to provide the highest level of assurance around their financial prospects for the duration of our grant and beyond							We are comfortable with being a 'first funder' or supporting organisations with an unproven or insecure funding base		

2.2 How does this translate into your grant-making strategy and practices? What financial information do you require of grant applicants and why?

2.3 To what extent do you agree with this statement: 'Our **attitude** to financial risk aligns with our **practice**'?

- ☐ Aligned
- ☐ Not aligned
- ☐ Unclear

2.4 Financial management									
1	2	3	4	5	6	7	8	9	10
We require grantees to file monthly reports of grant spending							We encourage organisations to make the best use of the funds and only require minimal financial reporting		

2.5 How does this translate into your grant-making strategy and practices? How do you manage financial risks over the period of a grant?

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2.6 To what extent do you agree with this statement: 'Our **attitude** to financial management aligns with our **practice**'?

- ☐ Aligned
- ☐ Not aligned
- ☐ Unclear

3. Reputational risk

3.1 Reputational risk									
1	2	3	4	5	6	7	8	9	10
Adverse publicity would be highly damaging to us and we need to avoid it at all costs							Provided we are confident that we have acted in good faith, adverse publicity is not a significant concern to us		

3.2 How does this translate into your grant-making strategy and practices? How do you support funded partners to inform you of potential reputational risks?

3.3 To what extent do you agree with this statement: 'Our **attitude** to reputational risk aligns with our **practice**'?

- ☐ Aligned
- ☐ Not aligned
- ☐ Unclear

4. Governance risk

4.1 Governance and operational risks									
1	2	3	4	5	6	7	8	9	10
We will only make grants to the most robust organisations in terms of governance and operational management							We're open to organisations/people with promise or potential but no track record		

4.2 How does this translate into your grant-making strategy and practices? How can your funding practices support funded partners' governance and management?

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4.3 To what extent do you agree with this statement: 'Our **attitude** to governance and operational risk aligns with our **practice**'?

- ‾ Aligned
- ‾ Not aligned
- ‾ Unclear

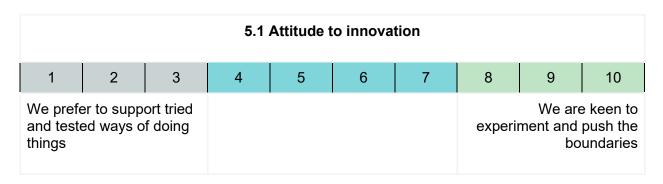| 4.4 Safeguarding risks for grantholders									
1	2	3	4	5	6	7	8	9	10
We require that the safeguarding policies and procedures of those we fund adhere to specific standards, and we monitor safeguarding risks over the duration of the grant							We rely on organisations to manage safeguarding risks through their own policies and procedures		

4.5 How does this translate into your grant-making strategy and practices? How can your own safeguarding policy be reflected in your funding practices?

4.6 To what extent do you agree with this statement: 'Our **attitude** to safeguarding risks for grantholders aligns with our **practice**'?

- ‾ Aligned
- ‾ Not aligned
- ‾ Unclear

4.7 Safeguarding risks for funders									
1	2	3	4	5	6	7	8	9	10
We periodically assess our potential safeguarding risks and implement appropriate training and management for staff and trustees							We have not considered or implemented specific safeguarding approaches within our organisation or in our grant-making procedures		

4.8 How does this translate into your grant-making strategy and practices? How are you addressing safeguarding in your funding practices?

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4.9 To what extent do you agree with this statement: 'Our **attitude** to safeguarding risks for our organisation aligns with our **practice**'?

- ‾   Aligned
- ‾   Not aligned
- ‾   Unclear

5. Impact Risk

5.1 Attitude to innovation									
1	2	3	4	5	6	7	8	9	10
We prefer to support tried and tested ways of doing things							We are keen to experiment and push the boundaries		

5.2 How does this translate into your grant-making strategy and practices? How have you encouraged organisations that are taking more experimental approaches to apply for funding?

5.3 To what extent do you agree with this statement: 'Our **attitude** to innovation aligns with our **practice**'?

- ‾   Aligned
- ‾   Not aligned
- ‾   Unclear

5.4 Expertise									
1	2	3	4	5	6	7	8	9	10
We know our patch and/or fields of interest and build deep relationships within the sector to help make informed decisions about what's needed and what works							We are not especially embedded and consider each application on its merits, relying on those we fund to make the case		

5.5 How does this translate into your grant-making strategy and practices? Are grantees supported to pursue activities based on their own research and understanding of need?

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5.6 To what extent do you agree with this statement: 'Our **attitude** to expertise aligns with our **practice**'?

- ⎺ Aligned
- ⎺ Not aligned
- ⎺ Unclear

5.7 Certainty and clarity of outcome

Outcomes can often be equated with 'successes' or 'failures'. Both terms can be open to wide interpretation. In the question below, the concept of 'failure' can encompass examples where work may not have delivered expected outputs or outcomes, but where learning is useful. It is for you to define a concept of 'failure' which aligns with your approach.

1	2	3	4	5	6	7	8	9	10
We need a very high degree of confidence that applicants will achieve demonstrable results							We will fund where results are uncertain or are not specified in advance and expect/are comfortable with some 'failures'		

5.8 How does this translate into your grant-making strategy and practices? How does this inform the ways in which you articulate what you wish to fund and monitor and evaluate your grants?

5.9 To what extent do you agree with this statement: 'Our **attitude** to certainty and clarity of outcome aligns with our **practice**'?

- ⎺ Aligned
- ⎺ Not aligned
- ⎺ Unclear

5.10 Data

1	2	3	4	5	6	7	8	9	10
We need to manage our grantee relationships and data so that we can clearly articulate the difference our funding has made when considered collectively – not just grant-by-grant							We judge our contribution on the basis of our effectiveness in getting money out to organisations which meet our criteria and work in our areas of interest		

5.11 How does this translate into your grant-making strategy and practices? Do your reporting requirements reflect your risk attitude?

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5.12 To what extent do you agree with this statement: 'Our **attitude** to data aligns with our **practice**'?

- ☐ Aligned
- ☐ Not aligned
- ☐ Unclear

6. Data on Risk

6.1 In recent years what approximate proportion of your grants made have given rise to significant concerns around the four dimensions of risk (financial, reputation, governance or impact)?

7. Communicating risk within your organisation and externally

7.1 How do staff and trustees ensure alignment of attitudes to risk with grant-making strategy and practices? (For example, through internal conversations or at board meetings.)

7.2 What information do you share with applicants and grantees around your approach to risk?

Summary

Click the down arrow on the right to expand each section.

[A graphic representation of scores across dimensions]

Scores across the dimensions of risk:

Dimension of risk	Risk	Score	Alignment
Financial	Financial track record		
	Financial management		
Reputational risk	Reputational risk		
Governance risk	Governance and operational risks		
	Safeguarding risks		
Impact risks	Attitude to innovation		
	Expertise		
	Certainty and clarity of outcome		
	Data		

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Further considerations and next steps

In common with funders across the UK, members of the Open and Trusting community are committed to accepting more risk (Commitment 3). The summary above is intended to illustrate a range of risks in grant-making and your organisation's attitude to these risks. We hope that this tool prompts you to consider where you might be able to shoulder more risk and alleviate some of the risk burden that is disproportionately carried by charities.

Communications

A first step may be to start with internal conversations about risk. Consider sharing this summary with your grant-making team or board of trustees and table a discussion about how your organisation views risk.

When you have clarity about your attitude to risk and how it informs your grant-making practices you may consider how you might be more open about how your organisation views risk with potential funding applicants so that they might better understand how their risks will be evaluated.

Going further

There are many ways in which a funder can shoulder more risk in their grant-making practices. Many of the other Open and Trusting commitments are intended to reduce risks for funded partners including multi-year funding, unrestricted funding, and light-touch reporting. Below are some resources and further reading:

- *Unrestricted funding*
- *Time to end the dominance of short-term grants*
- *Delivering better funding for Black-led organisations and racial justice*
- *Better reporting*