

Under the bonnet
of unrestricted
*with Lloyds Bank
Foundation for England
and Wales, and partners*

September 2023

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



Unrestricted funding liberates

Paul Streets, Lloyds Bank Foundation for England and Wales

[Lloyds Bank Foundation for England and Wales](#) is an independent charitable foundation funded by the profits of Lloyds Banking Group. We work in partnership with small and local charities, people and communities, changing lives and working towards a more just and compassionate society.



Why unrestricted funding matters

Project funding forces grant-makers to adopt the role of contractors without any of the contract management tools or knowledge this requires. The reports received on outcomes are rarely audited effectively, if at all. And the outcomes are too often focused on numbers reached, with little appreciation of the complexity and longevity of the work.

A few years ago, I chaired a medium-sized charity. It did terrific work. But our board meetings were too often dominated by conversations about whether we had met our contract or funder requirements to ensure survival. The needs of the people we were there for came second. This would be fine if we thought a remote funder, or a statutory contractor, was best placed to understand their needs. But how can that be the case? Most funders are generic. How could they understand the specific and particular needs of the many areas of work they fund?

Funding is essential to charities' survival, so to continue to exist for the communities they serve they are forced to appease funders' demands. Yet these demands push charities further away from their communities and force them to be accountable to funders. It is these broken funding structures that put charities in extraordinarily difficult positions. It should not be like this.

Unrestricted funding liberates. Funders become partners in common cause with those they fund, seeking to support and learn what works and use that to improve their own approaches. Charity boards determine how to allocate resources to their cause based on what they believe will best serve it. Communities are placed front and centre.

How we decided that unrestricted funding was right for us

In my decade in the funder world, the Lloyds Bank Foundation has moved from predominantly project funding to core costs, to mainly unrestricted funding. And at the same time our board has moved from deliberations about *performance* to conversations about *partnership*. Our approach to data and information gathering paved the way to unrestricted funding: listening to our funded organisations allowed us to make informed decisions rather than simply reporting on grant spend. Using a combination of light touch monitoring reports and regular conversations with charities, we gather insights on the issues that matter most to them and the people they support. Quite simply, we were hearing that the most useful thing we could do to support charities was provide unrestricted funding. That was the real impetus for change.

This is more than a debate about methods – it's crucial to achieving our aims. If we are to truly use our resources to make a positive difference to people's lives, then we must trust the organisations that know best, recognising that we share common cause with those we are fortunate enough to fund – most of whom are far closer to the issues they focus on than we are.

Reframing our approach to reporting

Overall, unrestricted funding feels better, and it feels honest. Of course – it's not all nirvana.

Unrestricted funding means you are backing the whole organisation and trusting it to do the best for those it serves and engages, which means understanding that this is happening and working. This can mean a different approach to due diligence than just looking at a specific project – one that, for us, involves seeking to understand a community's stake and role in decision-making. This includes having open conversations about issues that may compromise a charity's ability to best meet their aims. We do this not to catch people out, but to ensure that we are better placed to provide additional support alongside our grants.

Unrestricted funding makes aggregation hard and attribution impossible. Rather than requiring everyone to measure what they do in *our* preferred single unit of measurement to ease *our* own reporting, we need to accept that the right measures are determined by what the local community reports to the organisations we serve. These will reflect the nuances and personalisation that make small local charities effective.

The result is that aggregating becomes our problem – we don't foist it onto those we fund to meet our reporting convenience. And because we are not funding a specific part of what they do, we can't claim they have done X or Y with the money we provided. We can simply say we have made a contribution towards their total work – irrespective

of how our funding has been deployed. Our board believes that the risk in an individual charity needs to be managed by its own board locally, and we have now moved away from the idea that we are accountable for the performance of grantees. Charities are accountable to their communities, not to us, and restricted funding – which makes them focus on delivering against grant terms and contracts – undermines that relationship.

Advice for other funders

Listen to applicants – they know what they need

Of course, unrestricted funding isn't always right. Sometimes funders will want to take a more strategic approach, supporting work to achieve a particular aim like a policy or practice change. While a partnership approach will always help this, it may mean you wish to fund particular aspects of an organisation's work or encourage it to address particular issues. Similarly, capital, university and research funders may not wish to go down the unrestricted route when they are funding a particular building or piece of equipment, a specific course or research programme. But again, the principle should be that the applicant is likely to have a better knowledge of what is required than you as a generalist funder.

It's worth remembering that in the past funders have protested what has then become the norm. Who would have imagined a decade ago that billions of funding would be in a shared public domain as it is through 360 Giving? Funders now need to demonstrate why they are not transparent – it has become an expectation. In a decade I would hope the same will be true of unrestricted funding. Let's hope, for the sake of those we exist for, that happens fast.

Unrestricted funding gives us flexibility to better respond to complex needs

Aderonke Apata, African Rainbow Family



African Rainbow Family is a grassroots charity that supports lesbian, gay, bisexual, transgender, intersex, and queer (LGBTIQ) people of African heritage and the wider black, Asian, minority ethnic groups. We support LGBTIQ refugees, campaign for global LGBTIQ equality and stand against hate crime.



As a small grassroots charity that supports over 900 LGBTIQ people seeking asylum, we need to adapt to their individual needs. When people are referred to us, it's not just about them walking through our door to talk about their asylum application. They come to us with multiple support needs such as mental health

support, advice about accommodation or help with registering with a GP. We look at them as a whole person, rather than someone who needs a specific service. Unrestricted funding allows us to take this whole-person approach because it gives us the flexibility to adapt our services to fit each individual.



Why unrestricted funding matters

When funders give restricted grants to services that we offer, for example our counselling service, this greatly limits who we can help. What happens once the project funding comes to an end, but the need doesn't? What use are we when we cannot respond to people's needs? Because we have an increasing flow of people requiring our services, we need long-term sustainable funding that allows us to respond when people's needs change.

Unrestricted funding also helps us to cover expenses and keep our volunteers engaged. We are a small team, supporting over 900 people, and we need engaged volunteers to help us provide support. While our volunteers find joy in giving back to the community, many aren't able to pay for transport and food. If we don't have a pot of money for volunteer expenses (as many funders do not offer unrestricted grants for this), it would mean that many wouldn't be able to volunteer.

There is also a clear benefit to funders who offer unrestricted funding – you gain a wider understanding of the impact your money has. Rather than just funding a particular project which is contained, your funding has wider implications. For instance, some of our unrestricted funding goes towards giving people internet data. If we received restricted funding for this, our impact reports would only detail how many people received these items over the length of the project. However, with unrestricted funding we can tell the wider story of what this funding has led to, such as someone we support being able to apply for jobs or do their college work – it goes beyond the immediate cycle of that funding and creates ongoing, positive impact.

Advice for other funders

Trust that we know what works best for our beneficiaries

Our message to funders is simple – be more responsive to the needs of the people we support by letting us tell you what our problems are and how we think we can solve them.

For instance, we once received funding to provide laptops for our service users; however, we knew that this wasn't the best use of the funding. Because this funder was open to having a conversation about the benefits of unrestricted funding, we were able to convince them that we knew best how to spend this money. Rather than spending money on a finite number of laptops which wouldn't be enough for all of our service users, we collectively decided that the money was better spent on getting our beneficiaries to Pride events to address the isolation that many LGBTIQ refugees face. Funders need to trust that we know what works best for our service users and listen to how we think we can best address their needs.

'What use are we when we cannot respond to people's needs?'

Unrestricted funding enables innovation

Kevin Stoodley, North East Young Dads and Lads Project – NEYDL



North East Young Dads and Lads Project (NEYDL) is a growing charity that is dedicated to helping young men and young fathers in the North East to play an active and meaningful role in the lives of their children, within families and in wider society. We offer 1:1 support, peer support and training opportunities to young dads, and advocate to improve mainstream service provision.



The strength of the VCSE sector is our ability to think outside the box to meet the needs of the people we support. However, in order to do this, charities need the resources to be able to innovate their organisation. Funders recognise that successful charities need characteristics such as digital skills, healthy reserves and business development expertise, but are often unwilling to fund them. While we do appreciate project funding, unrestricted funding allows us to strengthen our organisations and better meet the needs of the young dads we support.

It's hard to predict support needs in uncertain times, and unrestricted funding helps us to be more flexible and adapt our services to changing demand. An example of this is how we adapted our services during the Covid-19 pandemic when we needed to shift our in-person peer support to online. Because young dads are often isolated and overlooked by service providers, a lot of our support is centred on connecting young dads with each other to increase their confidence and take pride in being a young dad. We were concerned that pandemic lockdowns could lead to further isolation. However, we were lucky to have funders who offered us unrestricted funding which gave us the flexibility to launch our digital service [DigiDAD](#) – an online platform which provides a space for young dads to connect.

Why unrestricted funding matters

Producing services with and for young dads is really important to us, and might not have been possible without the flexibility of unrestricted funding. For instance, DigiDAD is co-produced by young dads – they create films, animations and podcasts about their fatherhood journeys. This has had a huge benefit on the young dads we support – those who have created content for the site have been able to take pride in being young dads and have also used their creativity to reach out to others. Because DigiDAD uses the voice of young dads, other young fathers are attracted to our services, and as a result, we have had more professional and self-referrals and are able to help even more young dads in the North-East.

Advice for funders

Test it out and see if it makes a difference

While we understand that some funders may be hesitant to offer unrestricted funding, if you are confident in the aims and impact of the charities you support, you may want to test out whether unrestricted funding could be right for them – offer small-scale unrestricted funding and see what the difference is.

You may also find it useful to speak to other funders to understand what their drivers for offering unrestricted funding are, and talk to charities and see what they have been able to achieve with it.

By valuing the journey that charities can go on with unrestricted funding (such as prioritising technological innovation), you are not only helping that charity, but funding the innovation of the sector.

Join the Open and Trusting community



Lloyds Bank Foundation for England and Wales 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 spaces 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