

The future of the grant funding sector

from interviews with sector
leaders

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With a foreword from Sufina Ahmad

July 2021

Foreword

Since April 2020, John Ellerman Foundation, with the support of nfpSynergy, has worked with our applicants, grantees, other grantmakers, membership bodies and research consultancies to interrogate our grantmaking practices more deeply, and enact change where needed. We split this research project into three phases, with the findings of the first two phases available [here](#) on John Ellerman Foundation's website. This report relates to the third and final phase of this project.

This report explores topics that are oft-discussed within grantmaking, including transparency, accountability, risk-taking, collaboration and diversity, equity and inclusion. But we are asked to consider them again in the context of the climate and biodiversity crises, and society's likely long and arduous recovery from the COVID-19 pandemic. This presents us with ideas and thinking that we are perhaps less familiar with, and results in powerful reflections on a range of matters, including the appropriateness of existing in perpetuity, the efficacy of our decision-making processes, the need for flexible and unrestricted funding, the role of grantmakers in supporting and/or delivering campaigning work, and whether grantmakers are too institutionalised to respond to the threats we face.

This research urges grantmakers, regardless of their size and approach to grantmaking, to engage with the issues raised. We are not provided with overly-simplistic or 'one size fits all' solutions, but what we do see from those interviewed is a commitment to engaging meaningfully with these difficult issues and to embracing disequilibrium. Many of the insights shared highlight the importance of building trusting relationships within and across organisations, sectors and systems, and the need for grantmakers to invest time and resource into understanding the multi-layered contexts in which we operate.

Those interviewed expressed well-reasoned pessimism about the level of change and progress that is possible in the next five years within the grantmaking sector. However, despite this pessimism, they were all unanimous in their belief that better is possible. I found myself cautiously optimistic that the grantmaking sector can deliver real and lasting change in response to the challenges and opportunities identified in this report, and that whatever we pass on to the next generation of leaders within the grantmaking sector will be markedly better than what we received.

I am very grateful to the leaders involved in this research for giving up their time to share their reflections with us so clearly. And I must extend a heartfelt thanks to the nfpSynergy research team, led by Tim Harrison-Byrne, for the research that they have produced for us since April 2020, including this inspiring report.

I hope that you enjoy reflecting on this report as much as I did,

Sufina Ahmad MBE

Director

John Ellerman Foundation

Executive summary

In Spring 2021, John Ellerman Foundation commissioned nfpSynergy to conduct a piece of research on stakeholder perceptions, which involved interviewing a selection of leaders from the grantmaking sector. In addition to discussing their thoughts on John Ellerman Foundation, we took the opportunity to ask them about their views on the main challenges facing the sector and their outlook on the future. John Ellerman Foundation agreed that the broader findings from these interviews were too fascinating not to be shared more widely, and we are delighted to release this report grouping together the main themes from the interviews, whilst allowing many thought-provoking quotes to speak for themselves. Our interviews with sector leaders took place between early March and late May 2021, and a full list of the participants can be found on page 5 of this report.

We begin the report by acknowledging the effects of the COVID-19 pandemic on the funding sector; for most it has resulted in a dramatic increase in workload and had detrimental effects on staff wellbeing. However, there were upsides to the pandemic too, it placed renewed impetus on the need for collaboration, and some funders found it liberating to take a more assertive and proactive approach to their grantmaking. When we asked sector leaders to name other funders who have impressed them recently, there were many funders who stood out during the preceding 12 months. Funders who have been at the forefront of sharing best practice and responding quickly to the pandemic by offering 'no strings attached' grants were among those who stood out the most. As did funders who have recently shown their commitment to fairness and justice, and those who have been engaging in a dialogue about their identities and what they stand for.

The next section covers many interesting debates and reflections on the role of funders in the campaigning space. Themes discussed include appetite for risk, the need to amplify voices on the ground, the practicalities of funding social movements (one interviewee recently asked their trustees "would we have funded Greta?"), and the need to be savvy to the political and media narratives of the day. Most interviewees expressed a high level of receptiveness to the idea of funders either engaging in or financing campaigning activity, but they spoke of many considerations that need to be carefully worked through before doing so.

When asked about future challenges, interviewees highlighted a number that are facing the sector in the short to medium-term. They spoke of the need to deal with the continuing pressures of the pandemic and its aftermath, a lack of accountability, ineffective oversight and an absence of leadership in the sector, the importance of increasing diversity and representation, improving attitudes to risk-taking and the power the sector needs to harness in tackling the climate emergency. We also asked interviewees about their outlook on the sector in 5 years' time and found that many were pessimistic about the likelihood of there being substantial changes to the landscape during this period. It was recognised that the sector is very institutionalised with ingrained processes that take a long time to change, and that many foundations are passive and reactive, which also hampers change. It was also recognised that in order to maintain credibility, the entire charity sector has a number of big challenges to be grappling with including sexism, racism and bullying. Interviewees predicted that we are likely to see more radical self-reflection

from funders over the coming years, looking at the acceptableness of where endowments are invested or pursuing reparations for past injustices, for example.

Interviewees also suggested that we should expect to see more collaborative and participatory grantmaking compared to before the COVID-19 pandemic. The case for flexible funding will likely remain strong, and engagement with issues around equity and power will continue. Some suggested that the sector may become more tiered or stratified in different, or more sophisticated ways. Instead of the traditional dividing line of big versus small foundations, we could see a move towards these being around the willingness to engage with and speak up about key issues.

We hope that sharing the views of many important voices within the grantmaking sector will spark further discussion about the challenges faced by the sector, how each individual funder can confront them, and ultimately how the sector can better serve the organisations and communities it funds. We extend our thanks to the interviewees for taking part and leading these important and difficult conversations.

Introduction

In Spring 2021, John Ellerman Foundation commissioned nfpSynergy to conduct an audit of stakeholder perceptions via several interviews with sector leaders. In addition to discussing their thoughts on John Ellerman Foundation, interviewees were asked about their views on the challenges faced by, and the future of the grantmaking sector as a whole. This report is based on these fascinating broader findings about the sector.

nfpSynergy conducted interviews with the following sector leaders between 3rd March and 27th May 2021:

- James Banks, Chief Executive, London Funders
- Ciorsdan Brown, Head of Charity Partnerships and Strategy, The Goldsmiths' Company
- Ben Cairns, Director & Co-founder, IVAR (Institute for Voluntary Action Research)
- Fiona Duncan, Chief Executive & Carolyn Sawers, Deputy Chief Executive, Corra Foundation
- Mubin Haq, CEO, Standard Life Foundation
- Kristina Johansson, Director, Solberga Foundation
- Sara Llewellyn, Chief Executive, Barrow Cadbury Trust
- Florence Miller, Director, Environmental Funders Network
- Husna Mortuza, Deputy Director, Advocacy and Public Engagement, Joseph Rowntree Foundation
- Max Rutherford, Head of Policy, ACF (Association of Charitable Foundations)
- Sharon Shea, Director of Portfolio, Esmée Fairbairn Foundation
- Paul Streets, Chief Executive, Lloyds Bank Foundation for England and Wales

We would like to extend our sincerest thanks to all interviewees for their time and for providing the honest and inspiring insights found within this report.

Report contents

The report begins with a brief overview of current issues facing the grantmaking sector, particularly in relation to the ongoing COVID-19 pandemic. A number of examples of innovative and inspiring funders are then described, before looking at the role of funders when it comes to campaigning – whether by funding such activity or engaging in it themselves. Interviewees were also asked to highlight any challenges they felt the sector to be facing and finally, to consider how the sector may look in five years' time. The main sections in the report are:

- The impact of COVID-19
- Who in the funding sector has impressed recently?
- The role of funders in the campaigning space
- Future challenges for the sector
- How will the sector look in 5 years?
- Conclusion

The impact of COVID-19

The pandemic's influence on the grantmaking sector has been researched and well documented by a number of organisations¹; this section will offer a brief overview of the most common themes that emerged from our interviews with sector leaders.

When asked how they had been impacted by COVID-19 and the challenges they had faced as a result, a number of interviewees highlighted increased workload and exhaustion.

*"Last year on top of our £40 million, trustees approved an extra £16 million to be used to support organisations already in our portfolio; so for the funding team and the resources team, that in the last 12 months has represented a **significant amount of work** for an organisation of some 32 people and just 14 in the funding team."*

*"Team coherence and growth [has been] a challenge when working remotely, **motivation and wellbeing [are] also significant.**"*

*"...we're **pretty exhausted**. I think the stuff we've done, if you look at the funder collaboration... we've taken £150 million of those applications but we aren't the funder of that work... it's a **big operational challenge** for us."*

Interviewees noted that the move solely to online forms of communication has had some advantages in enhancing their reach, but has posed challenges for engagement, both in terms of the delivery of services and communication between board members.

*"Probably the other areas impacted based on our work is the **delivery of our services** to members [as it] has had to **shift to digital delivery**; which in some ways has **enhanced our reach**, and certainly had some very positive feedback from members... they've actually been more engaged than ever; but **it has affected, probably negatively, the depth of the engagement**. So, where we've gained breadth, we've lost that depth, I think."*

*"Because of our small organisation, coherence with the board and **making sure they're fully engaged is really challenging** when you're meeting remotely. **Meeting together really helps with gelling people**. It's the soft element to it; we're running on the reserves of people's good will and the capital that they've built up over a very short space of time."*

¹ For examples see:

CEP's *Foundations Respond to Crisis* series <<https://cep.org/foundations-respond-to-crisis/>>

NPC's *Shifting your funding practices during Covid-19* guide <<https://www.thinknpc.org/resource-hub/covid-funding/>>

ACF's *Rising to the challenge* report <<https://www.acf.org.uk/news/foundations-are-rising-to-the-challenge-in-response-to-increased-demand-caused-by-coronavirus>>

In terms of the positives, two interviewees mentioned an increased focus on collaboration as a result of the pandemic as a real plus.

*"We've **done a lot of collaborating** over the last year, which we historically have tried hard to do. But the **pandemic created a new impetus on that**. We've worked with a whole bunch of others, including other funders, getting the Government's money out the door."*

*"**I think [the pandemic] just made us realise that we can do more when there's a common goal**, a common aim. And having a short timeframe to do things meant that we had to do it. But I think for me that's where my optimism lies – because I think we've seen largely what we can do together, more collaboratively, to help people in their communities through those organisations."*

Another interviewee highlighted that the past year has provided their organisation with the opportunity to pursue a more direct, assertive and proactive approach towards their work. This was also touched upon by another interviewee who noted the increased speed of decisions, while also referencing a shift towards unrestricted funding.

*"I think for us, it's probably been **challenging the nature of what leadership means in our sector**. 15 months ago we were quite a consensual organisation that went to members to determine what type of priorities they have, what they need to deliver them and then building work programs around what they've told us. Whereas through the last year in particular the work we've done to more directly engage with communities - to link that community voice to what we ought to be doing, and for us as well to be more proactive in that leadership role - '**This is what we are going to do, do you want to come with us?**', rather than preparing for what they are doing and us going with them. So although it's still a very conventional, very collaborative leadership style, it's a little **bit more assertive now** and proactive now than it was 15 months ago and I think that puts us in a different position with our funders, our members and other stakeholders in terms of how we work or what we do."*

*"I think [the pandemic caused] **a lot of panic** actually to be honest. A lot of people will go oh god what the f*** am I going to do. I don't think it's been a particularly considered approach. Now the flip side of panic has been **people have made decisions fast** and that's been a good thing and they have done some good things like short term funding. There's been **a liberation of project funding which hopefully will continue** so there has been a shift towards unrestrictive and core funding."*

Who has impressed?

Interviewees named a number of different funders that have impressed them recently for various reasons. As one interviewee said, **sharing best practice** among funders is of great importance.

*"Funding is in the top three most stressful things for the leader of a voluntary organisation, so a **good funding experience is gold dust because it reduces stress, it reduces wasted effort** and so on and so forth. It can be a real game-changer when you have that experience; so it is important to try and **share stories about particular approaches that seem to be mutually beneficial in order to try and shift practice.**"*

A number of funders were mentioned because they **increased their grant spending** during the pandemic and/or **offered 'no strings attached' grants**.

*"There's been some examples of foundations that have responded to the pandemic by significantly increasing their spending, some examples being **Garfield Weston, Paul Hamlyn, Esmée Fairbairn, Tudor Trust**; and those are at different scales from government spending."*



*"**Esmée [Fairbairn]** really did a good job during the COVID crisis, assessing which grants [they] were able to operate no strings attached. The **Torus Foundation** did the same... they did just hand out free money during COVID to all their grantees, which was amazing."*



Several funders were praised for being **proactive and responsive**, particularly in arranging swift distribution of COVID funds, but also more generally by **listening to those they fund**.

*"I think that **London Funders** in particular were outstanding, actually; really outstanding. The way they convened funders, got the pooled funding, reported to funders on how that money's been spent, but also the intelligence they were gathering on the ground. They're a teeny, tiny, minuscule team, but they really stepped up; I think that on the Greater London patch, I'm not quite sure whether those sums of money were dispersed, whether that would have happened quite as quickly without them orchestrating that. I thought they were really impressive."*





"I think the **Lottery** gets quite a kicking; from what I've seen. I think that they were also in relation to disproportionate COVID-19 impacts, thinking about what Black Lives Matter and those disproportionate impact means. It feels to me that they have been better than perhaps they're given credit for."



"I think **Community Foundation Northern Ireland** has been pretty amazing; really respecting the expertise of the organisations they fund, listening to what the community think. Incredibly responsive and agile."

A commitment by funders to **fairness and justice** was also highlighted, particularly Comic Relief's actions in combating structural racism and Friends Provident's commitment to fair finance and focus on macro-economic issues.



"**Comic Relief** [have] ringfenced a proportion of their grants budget for groups that are Black-led for example, and have raised expectations for other foundations in the mainstream group that do similar things. Those two big special crises, one around the pandemic, the other around structural racism and inequality, have really shifted the dialogue."

"I think one of the best foundations that I've seen is **Friends Provident**... their main aim is to do with fair finance and access to justice."



"I think it's interesting what **Friends Provident** have done. They are very specific, focused on macro-economics and making the macro-economic arguments and they are a tiny funder."

Funders that demonstrated **collaborative approaches** were also highlighted by interviewees. Thirty Percy were commended for their approach working alongside activists, leaders and social justice movements, whilst Paul Hamlyn were praised for their commitment to collaboration across the sector.



"**Thirty Percy**... They've been a really interesting grant maker who have gone through a really interesting learning process, and they've brought a lot of funders on that journey with them. It has been very collaborative; they did this interesting process where they worked with different activists and leaders and social justice movements to help think through how they do grants through more of a justice framework."



"**Paul Hamlyn** has been part of multiple collaborative efforts, where they try and add value to doing things directly and where they don't know more or less."

Funders who are engaged in **dialogue about their identities** and what it is they stand for as organisation also received praise from one interviewee:



"I think if you look at [organisations like] **Esmée Fairbairn, John Ellerman**, and a few others, there's a real internal discussion taking place about who we are and what do we stand for individually and connect with as a sector."

John Ellerman
Foundation

The role of funders in the campaigning space

A major topic covered in the interviews was the role that funders can, should, and are already occupying in the campaigning space. Areas of discussion included appetite for risk, legitimacy, acting as an enabler for the experts on the ground, the practicalities of funding social movements, creating structural change, and being savvy to the political and media narratives of the day. Interviewees were mostly highly receptive to the idea of funders either engaging in or funding campaigning activity, one interviewee even argued that:

*"It's **dangerous NOT to engage in [campaigning]**. It's an incredibly limiting idea of charity if it doesn't include campaigning. We fund system change work, so we're looking at root causes and looking to change the stuff for social justice. [...] **There is such a fear of restriction; we're not allowed to do things, and the reality is that it's happening anyway.**"*

A number of interviewees felt that funders should be more open to risk-taking, and one alluded to the idea that this appetite for risk is not particularly widespread at the moment, stating: "I can't name you a foundation or a trust that is supporting activism. And that might say a lot about us as a whole." Another interviewee highlighted an exercise they ran with their trustees, challenging them on their appetite for risk by asking the question 'would we have funded Greta [Thunberg]?'

*"...People are more interested in the environment than they've ever been before. Young people are really championing the environment, and [funders] could use their resources to mobilise people who are going to inherit our planet and make sure that their voices are heard. A colleague did a really brilliant thing when we were producing our strategy, which brought our trustees up short; **"You said 'We're interested in change makers.' Would we have funded Greta?"**, and [they] were like, 'God, would we have?' If [a foundation] funded the UK's Greta's and joined them up to be this powerful network of wise and brilliant children, young people who care so much about this planet and will inherit it after we're all long dead. Then they could actually join their knowledge and understanding of a really complex issue, with the people whose voices need to be heard and amplify that."*

A number of interviewees mentioned various considerations that funders should work through before entering this space. Several referred to the legitimacy of foundations being involved in campaigning on a specific topic, and the importance of having clarity about what they are seeking to achieve.

*"**It's very important for a foundation to be clear about why it is entering the space it's not familiar with.** It takes time and it requires a range of resources. Being forced to be active in a wider number of spaces; to do that really meaningfully takes a lot of time and effort."*

*"I think **if you have a base of operations, so it's driven by what you see** - I'm thinking about Barrow Cadbury Trust and Transition to Adulthood where they know about that stuff - or it's directly linked to what you fund, what you see on the ground; you really understand what it is that you are feeling [then] **you are well placed to have a view.**"*

*"[There are] successes from time to time, but the successes are few and far between generally in that work. Barrow Cadbury, I would put them up there; very focused on very targeted policy of legislative change. Joseph Rowntree Charitable Trust, probably another. Lloyds Bank Foundation is quite interesting; they do mostly core funding, but they have a staff team that's big enough to be out and about doing advocacy work, and they use the data from their grantees to inform that work. But a lot of the time, **the legitimacy to do that policy and advocacy work is quite closely connected to the origins of the wealth in some way.** I think the Quaker social justice foundations have an easier story to tell as to why they are doing that work. The original founders or the families that set up the foundation by the Rowntree Foundations or the Cadbury ones, they were political activists and conscientious objectors and very active in the social justice movement of the time. Suffrage or anti-slavery or anti-war; they were all very active and decided to put their wealth into furthering those causes. So I think that's an easier story to tell, your rationale for the model compared to foundations who have a more traditional story."*

A number of interviewees highlighted the balancing act of funders themselves campaigning versus enabling the experts on the ground to do so themselves:

*"We ought to say, **have we done every single thing that we can do to support an organisation to use its voice effectively?** And if all of those abilities have been exploited - and it [still] seems that we are well placed to add, then I think we should pick up that challenge, but **I don't think we should get in the way. My preference is to put all our effort behind supporting organisations and causes to do that effectively for themselves.**"*

*"I think [funders] should do more. I think **there's a balance to be struck between funders doing it themselves versus enabling other people to do it effectively.**"*

*"I think some of the questions that we've struggled with a bit in the past is: are we representing ourselves or are we representing the organisations we fund? Who are we speaking on behalf of, whose authority do we have? [...] For me, the legitimacy of our trying to build a good field of excellent practice around homelessness only comes from the fact that we've also got ourselves involved in actually funding some great work, and so therefore we're learning from that. **We're amplifying the voices for people who've experienced homelessness, and from that comes the building of a field of practice; from that comes influencing and policy change. But to try and just jump into influencing policy change - indeed, trying to build a more connected and networked field of practice - you need to have the legitimacy of having done the work on the ground.** There's a link here, I suppose to the lived experience movement that is probably important in this conversation as well."*

*"How do we engage with others who are already in the field doing this and working through that? But also **knowing where we can use our partnership and network for small organisations, to help them to develop the capacity to do more of this work that we have less of an understanding and skills capacity to develop ourselves.**"*

Interviewees also highlighted issues around whether funders should be supporting social movements (such as Black Lives Matter and Extinction Rebellion) and how this would work in practice. Some argued that the risk comes from not funding them, and that funders need to consider the ease of the tools they provide for people to enact change.

*"As you would imagine, trustees of a foundation, they don't have an appetite for us to break the law, but they do have an appetite for us to innovate around grantmaking practice. They have an appetite for us to fund things, even if we're not sure they'll work. They have an appetite for us to be agile in terms of the skills in our staff team; in fact, they think if we're not like that, then how will we possibly meet the challenge of the future? **It's risky not to fund movements, to be honest**, because if you think that we're trying to meet those challenges of the future, like the rising tide of populism and the right wing, climate change, where are the people who are acting on those issues? They're in movements. I suppose that **there is a risk that funders become obsolete** in all of that, if they're not meeting that appetite. Young people are active through different methods; they want to get stuff done in their communities and globally. **Funders are standing in the way with their 40-page form.** We probably are more prosaic about how funding works, but **we probably need to innovate over the next five years to make sure we're not preventing people.** People can raise money in lots of different ways. **Why would you get involved with our bureaucratic funder in order to fund your social action or your change?** Actually, what kinds of tools will we need to have to make it easy for people to get the right resources to make change happen; and we have not solved all of that, but that's where our heads are, trying to understand that better."*

*"I think **funders are weak at funding movements rather than funding organisations.** I think with all the structures in place to fund a charity, how do you fund Black Lives Matter? ...**There's an interesting space about movements that I think funders haven't quite worked out. Extinction Rebellion; do you fund work that leads to someone gluing themselves to the top of a tube train? It's not clear where the outer limits are.**"*

*"**The difficulty of Black Lives Matter is, what do you actually fund?** It's always been a very hard to fund group, because they don't have an organisational structure."*

*"Racial justice issues and environmental degradation to me are really deeply intertwined...The intertwining of those issues that can be used by the opposition in quotes to stoke cultural flames, so **we have to be really savvy in how we approach them,** because I think the UK is at a precipice at the moment of potentially falling into the trap of*

*the US; of an us versus them mentality. **There are people really actively trying to create a culture war in Britain because it sells newspapers...** The biggest pitfall is doing anything to do with culture and anything along those lines, is how to avoid walking right into their plan... **I see the social sector and the environment sector constantly making mistakes in terms of how they respond to accusations and characterizations; they're always saying, "No, we are not such and such." They're always framing it on the defence.**"*

However, some interviewees highlighted the limitations of funding social movements, feeling that as a funder they had very little knowledge of them as they are not among their specialist subjects. It was also noted that it is not as easy to add value to such movements in the same way funders can do for charities.

*"We don't fund movements... we would say you've got to stick to your knitting and **our knitting is that we understand more about charities...** We don't have any knowledge in the organisation of those movements. Now somebody might [come] and say "well it's because you can't bloody control them, that's why you don't want to fund them". It's **not something we are familiar with** and **it's not something you can add much value to apart from possibly resource.** So **we would give it money, but we can't do anything more than that.**"*

*"Funding movements is difficult because **movements of their very nature are organic,** and **what they need is support over a long period of time, and very often that's not about money.** Then there is a whole contested area in movements, always, about leadership, and so that brings us straight to the heart of the issue of funding power. Because **movements by their definition don't want to be driven by external forces,** if you like. That's the whole point of them is that they bubble up from below."*

Interviewees highlighted the potential for bringing about structural change through campaigning, whilst also recognising the need to be realistic about the resources required.

*"It feels good to be able to point to an advice, service or an employment service or a children's organisation and the wonderful work that they do. This is important work. But **if you really do want to eradicate child poverty or domestic violence or any big issue, you have to unlock the other resources that are required.** That's why research doesn't get you so far, because it's usually not the lack of evidence which is holding things back. So we want to see something practical in relation to that. We've been funding a campaign called the Living Wage Campaign. When I started, no one had ever heard of a minimum wage. We created things from advisory groups like Living Wage Week; unions hated it at first, they were dead against it. That's one of the best examples of what you can do as a funder to create that structural change."*

"The reason why you end up moving into policy work and campaigning [is] you say to yourself: well, at the time we had about £8m a year to give out, which was a pound a person. What can you do with that money? If you're, for example, providing employment service; on average, it costs something like £2,000 to get somebody into work. Hundreds

*of thousands of pounds, you've helped 50 people. We did the math on all of this from various types of activity; it helps some people, but actually it doesn't make systemic change. **In order to get the structural change that's required, you have to move into who's got the resources, and the people who've got resources are employers and governments. You need to unlock their money in order to make sure your £1 has a multiplier effect.***"

*"Say that you would take whatever amount of money you've got - £5 million or whatever - and just try and achieve that change by funding some good stuff to happen, you will always reach only a tiny proportion of the people for whom change needs to happen. National Lottery Community Fund is a funder who tries to achieve social change by funding good stuff on the ground to happen. To say that's insufficient, is not to say that the answer is to go entirely the other way and say 'All we will do is try and influence policy'. My own view is that **you need to use all the tools in the toolbox and try and pull out the right tool at the right time.**"*

However, a couple of interviewees also highlighted the need to bring all stakeholders on board in any campaigning work, and to be attuned to the political realities of the day.

*"Funders in general have to tread a very careful line, and charities are generally seen as creatures of the left so we tread that line all the time, really carefully actually [...] The thing that people like us have to get our heads into is **I have to think as a Tory...** I have to think as a Tory and speak as a Tory and unless I can do that I will get pushed into a woke brigade, you know "you would say that wouldn't you" and it would get us nowhere... **The game is to be won, it's not to be scoring points.** They have power and are going to be in power for quite a long time... we are in a better position to influence Tories than we ever have been because of the levelling up."*

*"By and large, you can't bring about structural change on your own. And what we say is we would be foolish to try. And so **bringing about change is all about influence and persuasion.** And it's also about public opinion. Because if it ain't sellable on the doorstep then the politician's not going to do it. But I think **one of the problems is the elite echo chamber.** We kid ourselves if we think we're not a part of an elite – and we don't have to be the chief executive to be part of the elite. I can't tell you the number of meetings this year I've been on where people are just quite piously point scoring by being ever so humble. It's that echo chamber thing – **we have to learn to listen much harder and less judgmentally to other people's experience that we don't agree with.** And **that is really easy to say and really hard to do, and we're not very good at it at all.**"*

Future challenges

Interviewees highlighted a number of challenges for the sector in the short to medium-term, including the need to deal with the following:

- continuing pressures from the pandemic and its aftermath
- lack of accountability
- ineffective oversight
- diversity and representation
- an absence of leadership
- lack of collaboration
- attitudes to risk-taking
- the environment and climate emergency

One interviewee suggested that the sector will likely be under continued pressures as a result of the pandemic, highlighting many of the issues raised in earlier sections of this report, such as increased workload and low morale, as applications and demand for funding continue to rise.

*"...just managing the **hugely increased demand** on foundation resources; I don't think there's ever been demand of this seriousness before. Several hundred percent increases in applications compared to normal times, and that is **increasing workload** for foundations. I think, inevitably, [it's] having an **impact on morale**; grant staff who will be having to say no so many more times than they're used to. We did some guidance for staff recently for foundations, having been myself a funder for about eight years, I can imagine that day-to-day reality of receiving hundreds of applications each quarter that we know have no prospect of being funded must be very difficult. I think it will add **pressure on demands for foundations to increase their spending**, especially those who hold significant endowments. There will be a growing number of voices asking: **'why it is that foundations are allowed to leave investments unused at a time of global crisis?'**"*

Focusing more on underlying issues, one interviewee suggested that there is a fundamental lack of accountability in the sector.

*"**There isn't that accountability...**we did a report on power and trust and that surveyed a hundred and thirty people working in grantmaking. One of the questions was around **'who do you think trustees are accountable to?'** and I think around **70% of these funders thought the trustees were accountable to themselves**. I think that's one of the fundamental issues... in UK legislation, **foundations are just deemed charities**, they're not really held to a different standard or anything... **who is pushing them to change?'**"*

Relatedly, another interviewee highlighted a need for more forward-thinking oversight within the sector.

*"...I think the **Charity Commission isn't playing its role** in helping... because it operates in a very slow way. It hasn't shifted its own guidance, and without that, without having the Charity Commission play a bigger role in helping the sector move, especially around things endowments and investments. I think they have a big role to play in that and haven't shown that there will be much shifting from that institutional side of things. **They obviously played an important regulatory role that hasn't shown to be very forward thinking of new ways of adapting.**"*

Many interviewees highlighted a need for greater **diversity and representation**, particularly at the top of organisations. Boards are mostly seen as conservative and traditional with a low appetite for risk. More needs to be done to ensure the representation of grantees and their beneficiaries in the decision-making process.

*"I think that there was a reckoning this summer, I think a lot of funders are now hopefully taking pretty seriously around looking at diversity and organisations. Recognising that **most charitable foundation boards are white in the UK, yet a lot of the grantees in the organisation that they're serving are people of colour, and there's very little representation or decision-making power from those communities.**"*

*"**One of the real barriers to progressive practices and foundations is conservative traditional boards who don't know much about what they're funding.** I suspect that there will be a set of funding practices that will become more widespread, a wider adoption of core and unrestricted funding and a greater flexibility around the process. I'm saying that partly obviously because we're running an initiative for this."*

*"I think it's just **very rigid and traditional**, and there aren't that many new foundations and there's not a lot of spaciousness for foundations to really radically shift how they change. They're quite **stuck in old patterns**; honestly board leadership isn't that open for it... Board leadership tends [to be] 99% white, two-thirds male and another high percentage over the age of 60 or something, so they're typically older white men. There is a **resistance to giving up power**; giving up those spaces to create space for new leadership and new processes and practices."*

Improving diversity in boardrooms may also go some way to helping meet the challenge of a perceived **absence of overall leadership** within the sector.

*"Personally, I feel we **ought to be more in the proactive**. I think there's a lot of really good stuff happened over the last year; and talking to some of our members, I think they've felt that **there is an absence of leadership in the funding sector** and it can be quite difficult to navigate. Having some character leadership on some issues will be important for our membership to be able to progress those agendas. **The challenge is checking what people want leadership on and are willing to engage with**; I think we are an organisation that at different times need to take different styles on the work we do."*

Another interviewee questioned whether the sector is capable of leading change, and foresaw a split occurring where organisations who are drivers of change distinguish themselves from the more reactive and passive funders.

*"I think there's an interesting question here about **whether the grantmaking sector can lead change**, or whether it waits for change to happen and then it follows that. If I was in charge of the grantmaking sector then it would look really different. It would be a driver of change, it would be focusing on where funds are needed most and **who needs funds most** to recover post pandemic and **to build the world or the UK that we want to see**. But there are an **awful lot of foundations that wouldn't see themselves in that space**. They'd see themselves as **passive and reactive** and they will wait on applications. They might not change their terms. They might not change their trustees, they might not look at the world outside. They might just continue looking at what they've always done. So **my hunch is that there will be a group that will fracture off** and move faster than others and change shape; I'm **not convinced that others will follow**."*

Some also highlighted the issue of collaboration as a challenge for the sector, in the words of one interviewee: **"whenever you're trying to change government legislation or trying to get people to act in a different way, one organisation doesn't do it by itself."** Another interviewee drew particular attention to environmental issues, suggesting that a lack of collaboration may be due to the magnitude of these issues.

*"We're hearing from funders that they feel that **collaboration is lacking** and they need to do more collaboration on their funding... My experience is that often funders want collaboration in theory and then in practice it breaks down... what funders get paralysed by is the **enormity and breadth of environmental issues**; and feeling very quickly like they're scattered all over the place trying to fight fires."*

The majority of interviewees were comfortable with risk and argued that funders are often too risk averse and should be tackling this head on. However, a couple of interviewees cautioned against unmitigated risk and taking risks just for the sake of it.

***"We have to take more risk.** There's a responsibility for funders in a time like the pandemic and the climate crisis, that we can take risks. Others may not be able to and this is one of the times we can show why we exist. **Governments and other individuals and other institutions can't always take that risk.** Funders can take more risk in our strategies and we don't only have to be funding a very direct measure of impact in the short term."*

*"There's always risk and that's what you have to be very clear with trustees about, what those risks are. You've got to remember you are within a charitable construct, so you cannot forget that, but that shouldn't stop you taking risks or being radical. I don't kid myself as to what we can do and what we can't, but I know what will come if we don't push the envelope. **It's often not the charitable law that's constraining, it's the***

fear of it. *Actually I think it's more that people are worried about backlash, either from government or from the public."*

*"Risk in isolation **without mitigation you can't consider it**, so we take some risks but we mitigate them... if we find a risky organisation. I mean the struggle we've had is do we make our funding conditional? We are looking for organisations now with a development appetite on a basis that it helps us to offset risk and fund organisations. So yes, if it's not mitigated it's risky."*

*"I'm **not a fan of risk for risk's sake** but our approach to risk, we have a very comprehensive risk register we're acutely aware of the sort of regulatory environment et cetera."*

One interviewee highlighted the moral risk of inaction versus the reputational risk of entering a more contentious space.

*"I think **the risks to the independent sector are massively overstated**. Collectively charities sit on billions of pounds in the bank. They have a huge amount of power and influence. Of course, there are risks. A Government could introduce more regulation on independent money. But **there's also the risk of living in a world where people die because of bad policy, and we are sat on billions in the bank and could have done something about it. The moral element of risk management doesn't often come into it.** We come into 'how do you manage reputational risk? How do you manage financial risk?' How do you sit here morally and say, it's ok for us not to spend money on it? Some of the systems we create are organisational structures that don't work for people's lives, and I do think **the risks to the sector is a lot less than we think it is. We are a very powerful network of funders. You'll always lose some people and win some people.** The risk is almost entirely on the organisation being funded, and not the organisation giving them the money."*

Last but by no means least, another highlighted a lack of attention from funders on the **environment** as a particular challenge for the sector.

*"... **There aren't a huge number of funders in the environment sector. It feels like the biggest challenge facing the world...** There's something that is almost universal in the climate crisis in terms of people's understanding and their desire to act on it **as a funding community we're not that good at it.** I don't see a lot of people getting behind the issues..."*

How will the sector look in 5 years?

Many interviewees were pessimistic about the likelihood of there being substantial changes to the grantmaking landscape over the next five years. It was recognised that the sector is very institutionalised with ingrained processes that take a long time to change, and that many foundations are passive and reactive, which also hampers change. It was also recognised that in order to maintain credibility, the entire charity sector has a number of big challenges to be grappling with including sexism, racism and bullying.

"I don't hold out high hopes because it's institutionalised and it takes a really long time to change institutions... I feel a little bit pessimistic... I definitely see a lot of environmental work as being hampered by its institutionalisation... There's obviously trade-offs, because you can accomplish big things when you're institutionalised that you just can't do when you're not, but it also means you're very limited..."

"We will talk more about working together and we will do some at the margins, but I don't think there is going to be any fundamental shift in funders working together in a way and maybe that's just never going to happen. I suspect that we go back to where we were before, lots of reasons for that - it's history, trustee structures, who makes decisions, governance and networks, accountability, all kinds of reasons why that I think we are going to default back to an approach."

"Dealing with last year with what's happening with the NCVO and some of the complaints coming out, whether it's with the #MeToo movement or Black Lives Matter. If the sector doesn't take hold of this now, then it won't look credible to a group of people under the age of 30 who are quite vocal and who do use Twitter very quickly."

Whilst the forecast for change may be limited, interviewees predicted that we are likely to see more radical self-reflection from funders, for example, looking at the acceptableness of where endowments are invested or pursuing reparations for past injustices.

"I'm not sure it's going to look that different [in 5 years], to be honest. I don't want to sound too negative; there are some funders doing some really great work. Stuff being done around migration for example, really great work on that; funders having really good collaboration on that, and new organisations created and working effectively. I don't think what's happening now is necessarily new; the only thing is this whole thing around being more flexible in terms of working with the people you're funding. Which is really welcome."

"I'd love to be optimistic and say it'll look totally different but I do see changes... I think there's also definitely new money and tech money and stuff like that coming in so it'll be interesting to see how that plays out in terms of whether they just go to a traditional foundation model."

Interviewees suggested that we should expect more collaborative and participatory grantmaking compared to before the COVID-19 pandemic. The case for flexible funding will likely remain strong, and engagement with issues around equity and power will continue.

*"In five years' time, I would expect [funders to] still to be working more collaboratively than before the crisis. I would expect them to be working in more participatory ways. I'd expect some of those power issues to have been worked through a little bit more than we have been up till now. **I would hope that they are thinking more carefully about the role that they play.**"*

*"I don't think it's going to look that different in five years... I would say, climate funders to have their endowments invested in harmful climate companies won't be acceptable in five years. It's not acceptable now, but **I think we're in this big shift around investments for foundations.**"*

Some suggested that the sector may become more tiered or stratified in different, or more sophisticated ways. Instead of the traditional big versus small foundations, we could see a move towards the dividing lines being around engagement with, and speaking up about, key issues such as best practice, DEI, racial justice and climate change. New types of foundations may also emerge as a result.

***"I think that there will be some new kinds of foundations, which will challenge existing practice.** For example, the **Baobab Foundation** which got off the ground in the last few months, which is a very different foundation led by communities of colour, seeking to raise a very large endowment of £1 billion from existing foundations. If that works, it'll be quite transformative. [New foundations will] bring new ideas and new areas of interest around the climate crisis and around social inequality [for example]."*

*"I wonder whether there's a risk of [the sector] becoming even more tiered. So you may have a group of funders - not necessarily the best resourced - but who are really actively engaging with stuff that IVAR's saying about funder practice, responding to ACF Stronger Foundations, really getting DEI by the scruff of the neck and facing it. [...] And then there are other foundations that you might have a really very high regard for [that] you just hear a little bit less from. They're there and they're also speaking up, but perhaps not quite as much as you might expect. [...] So **I think that the tiering might look very different.** I think that at the moment it's been very much linked to money. There's been a sense of, it's okay for you guys, because you've got loads of cash. You've got loads of people, but we can't, because we are a small foundation doing xyz. I think that the stratification might become a little bit more sophisticated, particularly with some of the conversations around climate commitments. I think with all the sharp knives in our backs at the moment, I can't see how we can't march a line that takes us to a different place. **There's a huge amount at the moment which is creating an opportunity for the sector to really step up.**"*

"I think a lot of the new entrants are very interested in a number of issue-based things, often in environment, often quite persuaded by arguments about social investment and

*circular capital. And often, and I observe this, I don't know if it's documented, beginning to **be quite allergic to the traditional foundation charitable company structure [...]** **If you want to be very creative in social change, then there are other ways of going about giving that gives you much more freedom**, basically, in terms of what is public benefit, in terms of the level of **not very helpful intervention from the Charity Commission at the current time.**"*

Another interviewee spoke of how change in the 21st century inevitably means social movements. They believe that in order for the philanthropy sector to be meaningful in this era, it needs to move away from the traditional 19th century model that many trusts and foundations are still operating under.

"[The image of the sector is] what needs to change, because it cannot really be seen as a 19th century philanthropic sector [anymore]. [Particularly] in terms of the people who need it and how decisions are made, the tools or the lack of digital tools it uses to engage with people [...] **the 21st century is going to be more about relational transactions, and it needs to move towards that culture, and that's the hardest bit is to change the culture.**"

Conclusion

This report began by looking at the influence of COVID-19 on the grantmaking sector, highlighting some of the pressures that it has placed on funders. Whilst the pandemic has caused many challenges, interviewees pointed out that it also led to some benefits, such as greater flexibility around funding processes and willingness to collaborate. Funders who were proactive and responsive to the pandemic, and increased core and unrestricted funding, were particularly praised.

Interviewees suggested that the grantmaking sector needs to give greater attention to how funders may successfully support and engage in the campaigning space, particularly when it comes to the practicalities of supporting social movements and becoming more comfortable with risk.

A number of challenges for the sector were highlighted, including the need for greater accountability, oversight, diversity, effective leadership and collaboration, as well as a greater propensity for risk-taking.

Many interviewees were pessimistic about the likelihood of there being substantial changes to the grantmaking landscape over the next five years, given how institutionalised the sector is and how many foundations are passive and reactive. One interviewee emphasised that change takes time and getting the culture shift right will be crucial.

*"I think actually recognising that **it's a relay race, as I would see it, and that each director or each chair or each board have run a leg of that race.** Our foundation*

*didn't arrive in the shape that we're in; we are pushing ourselves quite hard and I'm not quite sure that we necessarily stop for long enough to take stock, to understand the things that we do well or the process that we've been through. **It's a process, and some things you can do overnight, but I think getting the culture right - the board, the chair, the staff, funded organisations all lined up - and also working out what your place is, maybe it can happen quickly, but I'm not quite sure that it does.** If you were going to ask me to give a bit of advice, I'd be saying: look, be patient. Do the stuff you can do now, but there are some things: ESG and the environment, that conversation has been going on for 20 years. I've been at our foundation with the three directors. I think we've cracked it now, but it's been a long hard journey."*

Another interviewee highlighted that moderate-sized foundations have more potential to influence change within the sector than they may assume. They argued that to influence change within the sector, funders of an average size may have particularly strong peer influence among the majority of foundations, which are of similar size compared to the anomalous largest foundations.

*"It's a strange thing in the foundation sector, where **the largest foundations are not necessarily the most influential**; and that's because their practice is in some regards easy to dismiss as being very particular to their size and scale... So changes in governance, for example, an increase in diversity or a much more progressive approach to investment, is **much more likely to be noticed and have an impact if it's done by a foundation of [average] size.**"*

We hope that sharing the views of thirteen key voices in the world of grantmaking will spark discussion about the challenges faced by the sector, how each individual funder can confront them, and ultimately how the sector can better serve the organisations and communities it funds.

About nfpSynergy

nfpSynergy is a research consultancy that aims to provide the ideas, the insights and the information to help non-profits thrive.

We have close to two decade of experience working exclusively with charities, helping them develop evidence-based strategies and get the best for their beneficiaries. The organisations we work with represent all sizes and areas of the sector and we have worked with four in five of the top 50 fundraising charities in the UK.

We run cost effective, syndicated tracking surveys of stakeholder attitudes towards charities and non-profit organisations. The audiences we reach include the general public, journalists, politicians and healthcare professionals. We also work with charities on bespoke projects, providing quantitative, qualitative and desk research services.

In addition, we work to benefit the wider sector by creating and distributing regular free reports, presentations and research on the issues that charities face.

About John Ellerman Foundation

John Ellerman Foundation is a medium-sized grantmaker distributing circa £5.8m in grants annually in pursuit of our aim to advance the wellbeing of people, society and the natural environment. We do this by offering multi-year core funding to work that is of national significance in the arts, social action and the environment, as we believe these areas can make an important contribution to wellbeing.

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