Northern Rock Foundation

History and Achievements

Fred Robinson

northern rock
foundation

About the Author

Fred Robinson is a Professorial Fellow at St Chad's College, Durham University. He has undertaken extensive research on social development, public policy and governance in the North East of England. His recent work includes a longitudinal investigation of the development of the Third Sector in the North East and Cumbria (for Northern Rock Foundation) and research examining how universities can support disadvantaged communities (for the Joseph Rowntree Foundation). He is currently working with Durham County Council on the transfer of Council buildings and services to local community groups. He is a volunteer and chair of the Waddington Street Centre, a mental health charity in Durham.

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Foreword

This review aims to record an important chapter in the recent social and economic history of the North East and Cumbria. Almost uniquely, for over a decade, a major commercial and highly profitable banking institution, based here, chose to devote a significant portion of its profits each year to assist the disadvantaged in this region.

Those profits, amounting to many millions of pounds, were passed across to a wholly independent grant-making charity – Northern Rock Foundation – to apply as it thought fit. The Foundation, thus funded, was able to consider and respond to the major social challenges to which the region's industrial and post-industrial heritage had in part contributed. It applied its resources – imaginatively and innovatively in many cases – to many well-recognised groups in need, but also to some hitherto disregarded and unpopular causes deserving of much better attention. It is an important story. Professor Fred Robinson has sought to tell it like it was.

Trustees felt it was important to commission a review of the Foundation's work for two reasons. Firstly, to record this significant episode in the history of the North East and Cumbria. The Northern Rock bank will now always be linked with the financial crisis, but its role as a philanthropic business, closely connected and committed to its home region, is something that should not be forgotten. Secondly, the review would set out the approach that was used and the activities that were undertaken. The work of the Foundation, funded almost entirely by £235 million provided by the Northern Rock bank, shows what can be achieved by enlightened corporate philanthropy, through an independent Foundation with a committed Trustee board and professional staff team. The Foundation was regarded as an exemplar in the world of UK grant-making and we hope this review will be useful to other grant-makers, and to businesses considering their own approach to corporate philanthropy.

I want to thank Professor Robinson who has skilfully analysed the Foundation's history and experience, from an independent perspective, to produce an accurate, concise and readable account. He is well placed to undertake such an analysis. He has extensive knowledge of the region and its voluntary and community sector. I would also like to thank the current and previous Trustees and staff who have shared their knowledge, views and insights about the Foundation's work with Professor Robinson.

Northern Rock Foundation was set up by the Northern Rock bank with a long-term vision and the expectation that it would exist in perpetuity, due to the nature of the funding covenant with the bank. It grew to become a well-liked and respected institution in the region and nationally. From its launch in 1998 it developed to a peak in 2006 when, in that year, it gave out grants totalling £27.3 million. At that point it was poised to move into a new phase of grant-making and policy development. The events of 2007/08 left the Foundation in an uncertain and reduced position for the next six years until in 2014 it finally became clear that there was no further source of income available. The closure of the Foundation is now expected to take place in 2016.

This review describes and assesses the impact and achievements of the Foundation, which are acknowledged to have made the North East and Cumbria a better place. The Foundation had the needs and interests of our region at its heart and it is a huge regret that one of our most successful and highly regarded regional bodies is having to close. Its loss is felt keenly across the voluntary and community sector regionally, but the Foundation's legacy is a stronger voluntary sector, better able to meet the needs of disadvantaged and vulnerable people now and in the future.

Alastair Balls, CB DL
Chairman
Northern Rock Foundation
July 2015

Introduction

Between 1997 and the end of 2014, the Foundation awarded some 4,400 grants, totalling £225 million.

Background

Northern Rock Foundation was established in 1997 when the Northern Rock building society was demutualised and converted to a bank (Northern Rock plc). By a Deed of Covenant, the Foundation would receive a significant share (5%) of the bank's annual pre-tax profits and that money would be used primarily to help disadvantaged people, principally in the North East of England and Cumbria, Northern Rock's traditional heartland.

The Foundation subsequently grew to become an important source of support for numerous voluntary and community organisations tackling disadvantage and deprivation. It has also invested substantially in arts and cultural activities to enhance quality of life in the region. Between 1997 and the end of 2014, the Foundation awarded some 4,400 grants, totalling £225 million. Over the years, it has become well known and has undoubtedly had considerable impact.

The Foundation's history is not simple. Its growth and development was halted by the financial collapse of Northern Rock plc in 2007. Funding from the company ceased; but when it was temporarily nationalised in February 2008, the government agreed that the bank would support the Foundation, at a reduced level, for the following three years. In January 2010, the government split the bank into two parts in order to facilitate the sale of at least some of the business. The smaller part, the new Northern Rock retail bank, was sold to Virgin Money in 2012, but the new owner has provided only a limited amount of funding to the Foundation. Consequently, the Foundation has been gradually reducing operations and, in 2014, announced plans to wind down further, to be followed by closure.

The Trustees felt it would now be useful, as well as timely, to commission a review of the Foundation's history and achievements. Various evaluations and reviews have been done in the past, but none looking across all its activities from the start. The aim would be to examine and assess what the Foundation has done and achieved, what lessons might be learnt and, also, help prepare the ground for the future.

Approach

The approach adopted in conducting this review is sympathetic to what the Foundation has sought to achieve, but it is an independent assessment. The review celebrates the Foundation's achievements and identifies issues and lessons. While there may now be little scope for it to develop new activities or do things differently, others will follow and may learn from these experiences. That learning is part of the Foundation's legacy.

This review is based on documentary sources and interviews. We have looked at the minutes and papers of Trustees' meetings since the beginning, and annual reports and reviews. We have interviewed current and past Trustees and staff, and also others able to speak knowledgeably about the Foundation. Throughout, it has been evident that there is a good story to tell – and that it is well worth telling.

Structure

The report begins with an historical overview. It sets out the essential elements of Northern Rock Foundation's 'story' (see the Timeline, inside back cover) and gives the context for an assessment of its activities and achievements.

This is followed by an examination of the Foundation's achievements in relation to: the choice of priorities for grant-making; its support for the voluntary and community sector; its governance and management; and the Foundation's influence on practice and policy.

The final section of the report presents some conclusions, summarising the Foundation's achievements and setting out lessons that may be learnt from this review of its development and activities.

2. History of Northern Rock Foundation

The motive behind setting up Northern Rock Foundation was primarily philanthropic. The aim was to recognise the value and importance of Northern Rock's regional roots and its ethos of mutuality, by setting up a charitable foundation to support local good causes.

Origins

The origins of the Northern Rock Building Society are found in the freehold land society movement of the mid-nineteenth century, a movement which fostered mutual organisations that enabled people to invest and borrow to buy a house. In 1865, the Rock Building Society was established in Newcastle upon Tyne, becoming Northern Rock a century later when it merged with the Northern Counties Permanent Building Society in 1965. It subsequently grew and prospered through many acquisitions and by expansion, and became one of the most vigorous, competitive and profitable building societies in the country. By the mid-1990s, concerned about the future for building societies, and keen to expand but aware of the dangers of takeover, Northern Rock – like several other building societies – sought demutualisation. Most of the Society's members voted in favour. On 1 October 1997, Northern Rock therefore ceased to be a building society owned by its members and became a public limited company – big enough to be a FTSE 100 company and become the country's fifth largest mortgage lender. Members with savings accounts and mortgage loans were recompensed with shares in the new plc.

The motive behind setting up Northern Rock Foundation was primarily philanthropic. The aim was to recognise the value and importance of Northern Rock's regional roots and its ethos of mutuality, by setting up a charitable foundation to support local good causes. Under a Deed of Covenant, the proposed Northern Rock Foundation would receive 5% of the annual consolidated pre-tax profits and would also hold 15% of the new plc's shares. Northern Rock's Directors were very aware that the new bank's independence could not be guaranteed beyond the first five years of its statutory protection from takeover.[1] Hence, under these arrangements, if the bank was subsequently taken over the Foundation would receive 15% of its market value. This would then provide it with an endowment to be used in perpetuity for the primary benefit of people in the North East and Cumbria. While it might be said that establishing the Foundation was good for the image of the new plc, it should be acknowledged that it was a generous act, which was accepted by members of the building society when they voted for demutualisation. None of the other demutualising building societies did the same.

Northern Rock Foundation was formally established on 4 August 1997 as a registered charity and company limited by guarantee. The Trustees were all to be appointed by Northern Rock plc, but to secure a measure of independence fewer than half of them could be directors or employees of the company. Reay Atkinson CBE, a retired senior civil servant who had served as head of the Department of Trade and Industry in the region and still lived in Northumberland, was chosen as Chairman.

Staff were appointed to the Foundation, including Fiona Ellis, the Director (Chief Executive), and an office was set up in Lansdowne Terrace, Gosforth, close to the plc's Head Office. The initial small staff team developed systems and structures, and the Foundation was publicly launched at the Copthorne Hotel, Newcastle, in January 1998. In March 1998, the first grants were agreed by Trustees.

Growth: the first 10 years

The Foundation experienced a high rate of growth in the 10 years before the bank's collapse in 2007. When the Foundation was established, it had been thought that its income from the plc's covenant would amount to about £9 million a year. In fact, Northern Rock's profits climbed steeply, as did the Foundation's income. The covenant yielded £9.9 million in 1998 – and later peaked at £31.3 million in 2006. Consequently, grant-making also increased very substantially: from £5.7 million in 1998 to a peak of £27.3 million in 2006.

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The Foundation initially had one main grant-making programme, focused on supporting organisations helping disabled people and their carers principally in the North East, with an emphasis on promoting independent living and improving quality of life. The directors of Northern Rock had suggested that it would be desirable to have such a focus, especially because some disabled people who had not been first-named holders of their building society accounts had lost out on share pay-outs to members when demutualisation took place. The first grants included support to such organisations as the Dementia Care Initiative, Hartlepool Mind and Abbeyfield in Cumbria. From the outset there was also a Staff Matched Giving Scheme, through which donations made to local and national charities by the plc's staff would be matched by the Foundation.[2]

As the Foundation gathered pace, and staff became more experienced, new grant programmes were added. Applications were invited from voluntary and community sector organisations concerned with young children and with older people, and grants were made to playgroups, for example, and local U3A (University of the Third Age) groups. Initiatives were developed to support regeneration, initially in the former coalfield areas where several community centres and local support projects were funded. The Charity Commission's review of what might be considered as charitable activity helped extend grant-making into regeneration and community capacity building. Early on, it was recognised that there was a need to build the skills and capacity of the voluntary and community sector, through the Foundation's support for training programmes and consultancy, and also funding to develop the sector's infrastructure organisations.

In 2001, grant programmes were re-cast. The original programme concerned with helping to empower disabled people continued, but new programmes were emerging. There was a strand of work on penal reform – that included training provision in prisons, for example, and support for the Derwent Initiative, an organisation working with sex offenders. Work was also being developed to tackle discrimination, beginning with projects concerned with discrimination experienced by Gay and Lesbian communities. A big addition – which was to remain an important feature of the Foundation – was support for arts and culture, including large grants to a number of major capital schemes as well as to small community projects.

The Foundation was keen to experiment, take risks and fund unpopular causes

The first five years were exciting; Fiona Ellis, the Chief Executive, talked of this period as being characterised by a 'genuine sense of adventure'. The Foundation was keen to experiment, take risks and fund unpopular causes – and it was certainly able to do so, given that income kept rising.[3] The staff were also becoming more knowledgeable about what could be done and how grant support could make a difference. And the Foundation's regional and national profile was developing. It soon became the 16th largest grant-making foundation in the country and, through the Foundation, Northern Rock plc was the second largest corporate contributor to charity.[4] It was also establishing a reputation for intelligent and creative grant-making. In 2002, the Foundation won the national award for Best Grant Maker in the Civil Society Media's Annual Charity Awards.

As the Foundation grew, it became necessary to find new office accommodation. The former Methodist chapel on the corner of Woodbine Road and Gosforth High Street was bought and refurbished, and staff moved in at the end of 2002. That move was seen as the end of the first phase of the Foundation's development[5], and was followed by a further five years of growth and development, during which it became more confident and ambitious.

In 2003, a new set of grant programmes were launched, called Aspiration, Basics, Better Sector, Culture Capital, Exploration, Regeneration, and Prevention. These programmes enabled the Foundation to give grants to a wide range of organisations and projects, ranging from the Bell View Project providing day services to older people in rural Belford, Northumberland, to the refurbishment of St Matthew's Community Halls in Barrow-in-Furness. New Development Trusts were supported. And difficult and innovative work was developed – an example is A Way Out, a project in Stockton supporting sex workers. There were some big grants – to Tyneside Cyrenians (now 'Changing Lives'), Tyneside Cinema, Live Theatre, Aquila Way (now Oasis Aquila Housing) and Sunderland AFC Foundation, for example, and also some small ones – such as grants to Cumbria Deaf Association, the Newcastle Chinese Health Club, and to St Helen's Millbank Youth Club and Bearpark Community Centre, both in County Durham – amongst many others.

The Foundation seemed very much in step with contemporary developments. Innovations in areas such as childcare and penal reform were close to New Labour's agenda, and work funded by the Foundation fitted well with government policy. It even became part of the consortium set up to deliver the government's Futurebuilders programme, a national scheme investing in voluntary organisations to help them become more involved in delivering public services.

Perhaps the most visible way in which the Foundation was attuned to contemporary developments was its support for the arts and culture. By 2005, about 25% of the total grants budget was being spent on arts and culture, including capital projects. At the time, several major capital projects, often linked to regeneration initiatives, were being promoted by arts and culture organisations and various public sector bodies across the region. The Foundation gave generous grants to most of them. In Tyneside, it supported Sage Gateshead (a new concert venue and centre for musical education), BALTIC (a new centre for contemporary art), 'Seven Stories' (the Centre for the Children's Book), Dance City (dance performance and training), Newcastle's Theatre Royal, and Bede's World at Jarrow, a museum of Anglo Saxon life. In Middlesbrough, it supported mima (Middlesbrough Institute of Modern Art); and in County Durham the 'Locomotion' railway museum at Shildon and the Bowes Museum in Barnard Castle. In Northumberland, grants were made to the Alnwick Garden (a contemporary pleasure garden) and Woodhorn Colliery Museum, which celebrates the area's coal-mining heritage.

The Foundation also made a substantial funding commitment to Culture10, a 10-year programme of arts projects and events in the North East, run by the NewcastleGateshead Initiative. With covenanted income rising each year and with large reserves, it was possible to support big capital projects and other major arts initiatives, as well as provide grants to many local community initiatives concerned more directly with addressing disadvantage.

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By 2006, the Foundation was considering another move, since it looked as if it would outgrow 'The Old Chapel'. By then, there were 22 staff and the expected grants budget set for the following year, 2007, was £34 million. A new Chairman, Alastair Balls CB DL, was appointed at the start of 2006 and a substantial review, begun under his predecessor Leo Finn, was completed, looking at what had been achieved so far and what should be done in the future. New and revised grants programmes were developed. In addition, the Foundation had become increasingly aware of its ability to be an advocate for the voluntary and community sector and potentially influence public policy. Involvement in policy had already included support for the left of centre think tank IPPR (Institute for Public Policy Research) to set up a northern office in Newcastle, and a campaign to raise concerns about the impact of reduced public funding for the sector (the 'Invest 2006' campaign). It was now planned to do more policy-related work, including commissioning the Third Sector Trends Study, a large-scale research programme on the state of the voluntary and community sector in the region.

At the Foundation, at least, there was no warning of the crash that was to come. The possibility of a reduction in covenanted income from the plc was noted in the Foundation's risk analyses, but thought to be unlikely. Substantial reserves were held, however, to mitigate the effects of a possible downturn in the housing market. And it was thought that if the bank was, for instance, to be taken over, the special shareholding arrangement that the Foundation had would result in an endowment worth perhaps £1 billion. In mid-2007, Trustees and staff were expecting further expansion, were thinking about the need for new premises and were starting to plan a tenth anniversary celebration.

The collapse of Northern Rock plc

Following demutualisation, the plc pursued a strategy of rapid expansion through a process called 'securitisation'. Northern Rock substantially increased mortgage lending by borrowing heavily on international wholesale money markets, then reselling these mortgages in the markets. Northern Rock's high growth approach left it more exposed than most when the markets, hit by the sub-prime crisis in the US, eventually stopped lending (the 'credit crunch'). Northern Rock had to turn to the Bank of England for a loan to replace market funding. In September 2007, fear of full-scale collapse set in and that resulted in people queuing to withdraw their money – the first run on a British bank in 140 years. The government successfully calmed fears by guaranteeing deposits, but the bank was severely damaged. Although illiquid rather than bankrupt, its share value had plummeted and its reputation had been dramatically, and very publicly, undermined.[6]

Virtually overnight, the Foundation went from heady optimism to great apprehension about the future.

Virtually overnight, the Foundation went from heady optimism to great apprehension about the future. Clearly, whatever was to happen next, the bank would sustain massive losses so there would be no covenant income to the Foundation for the foreseeable future. So Trustees decided to manage down expectations about future grant-making and curtail some programmes. In particular, the programmes supporting capital projects ('Better Buildings'), and arts and culture were closed down. The staff team was reduced, cut by about half in the months after the bank's collapse.

However, because it had adopted a prudent reserves policy, the Foundation was in a position to continue – and still on a reasonably significant scale. With a reserve of about £32 million, it was able to continue to run three main grants programmes, at least for the time being. Trustees were clear that it should remain an 'engaged funder', not just a dispenser of grants, and it would retain its focus on disadvantaged people in the North East and Cumbria. In the aftermath of the collapse there was a great deal of uncertainty and the Foundation's Trustees considered various options. The idea of raising funds from other sources was actively considered and explored. The Foundation approached a number of other potential corporate sponsors but found that they wanted to operate their own trusts and philanthropic programmes, and several were already committed to routing their grant-making through the region's Community Foundations. Northern Rock Foundation had no wish to duplicate, or cut across, the work of the existing Community Foundations in Tyne and Wear and Northumberland, in Tees Valley, County Durham and in Cumbria.

Northern Rock plc had been stabilised by being bailed out by the taxpayer. To secure a longer-term solution, the government sought to promote a sale of the bank to the private sector, but that was not achieved. In February 2008, the government decided to take Northern Rock into 'temporary public ownership' (essentially, though not technically, nationalisation).

The crisis at Northern Rock had generated media comment and political debate. In the region, there was, of course, much concern about the prospect of job losses at the bank, but also worries were widely expressed about the future of the Foundation and the potential impact on the organisations that it supported. Government responded to public and private pressure, and when Northern Rock was 'nationalised', the Chancellor of the Exchequer, Alistair Darling, committed the bank to giving the Foundation £15 million a year, in each of the years 2008, 2009 and 2010. It might be argued that was small recompense for the loss of value of the Foundation's shares, rendered worthless by the actions of the Bank of England and the government. But it did give the Foundation a lifeline and a temporary breathing space.

A partial recovery

Although it had been 'rescued' by the government, the bank had to implement a restructuring programme involving the loss of many jobs at its Gosforth headquarters. Furthermore, Northern Rock shares – in some cases comprising people's life savings – had been rendered worthless as a result of nationalisation. There was no comfort to be had from seeing other financial institutions experiencing similar difficulties in the months that followed; in fact, those difficulties helped to generate a deep recession lasting several years and having wide-ranging impacts, especially in the North East.

Instead of celebrating its tenth anniversary, the Foundation was making nearly half the staff redundant in early 2008. Morale was inevitably greatly affected. It was not helped by the news that the contract for the government's Futurebuilders programme, which the Foundation had helped to manage and deliver, had been awarded to a different consortium.

The Chancellor's decision to award £15m a year for three years to the Foundation... meant that it could continue spending, albeit with an income cut by half, without having to draw on reserves.

The Chancellor's decision to award £15 million a year for three years to the Foundation – guaranteed even if the bank returned to the private sector – was a considerable boost. It meant that it could continue spending, albeit with an income cut by half, without having to draw on reserves. Resources would be concentrated on four grant programmes. The 'Independence and Choice' programme was concerned with people with mental health difficulties, people with learning disabilities, people with dementia, older people and carers. 'Changing Lives' (initially called 'Building Positive Lives') focused on young people at risk, homeless people, substance misusers and groups that face prejudice and discrimination. This programme also included work with refugees and asylum seekers. The 'Safety and Justice' programme centred on tackling domestic and sexual violence, exploitation and abuse and hate crimes. Arts, culture and heritage grants were brought together under one programme – Culture and Heritage. These four programmes supported a wide range of activities, including – to mention just a few examples – several local Mind groups, a health project for women with learning difficulties run by Them Wifies, Barnardo's projects concerned with sexually exploited children, the work of the Keyfund

Federation (now The Key) and a variety of projects supporting refugees and asylum seekers.

In 2008, grant expenditure totalled £10 million, a considerable sum, but only a third of the amount spent in 2006, before the bank's collapse. Before the collapse, the Foundation awarded well over 300 grants a year; after it, the number of grants each year was around 150, and the average size of grant had been reduced.

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The longer-term future of the Foundation remained highly uncertain. Under a new Chief Executive, Penny Wilkinson, who joined in June 2009, plans were developed on the assumption that there would be no significant sources of income after 2010. It had become reasonably clear that the Foundation's shareholding in Northern Rock was worthless and that there was certainly no guarantee that a new owner of the bank would provide much funding. For some time, the Foundation kept its options open, awaiting developments. Reserves were, in any case, still very healthy, enabling it to carry on – and, later, enabling a gradual wind-down.

In 2010, in addition to the existing three main grant programmes, two new grant programmes, on financial inclusion ('Managing Money') and homelessness ('Having a Home'), were introduced. These programmes have supported, for example, the development of credit unions, a major Citizens Advice initiative extending debt advice services, and the work of the Cyrenians (now called 'Changing Lives') and local homelessness agencies. The Culture and Heritage programme, which had been closed in 2008 but then reinstated, had been brought to an end in 2009. Sector capacity-building continued, as did policy work and research.

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there to support them. The priority was to concentrate funding on selected organisations that the Foundation had already supported and help to secure their long-term future. From the start of 2013, only organisations invited to apply for funding were eligible for grants.

Alongside that focus on key organisations, there was a new emphasis on social enterprise – which drew on the Foundation's previous experience with the 'Futurebuilders' scheme. The 'Fresh Ideas Fund' was set up to assist organisations to grow in size, increase their impact, build capacity and develop sustainable enterprises, including taking on contracts to deliver public services. Organisations supported through the Fund include First Stop Darlington, Tyneside Mind, Vision Sense and Community Campus 87. The Fund was established as a 'proof of concept' scheme potentially to lead on to social investment through loans. Recently, the Foundation has worked closely with Big Society Capital to set up a regional loan fund for social enterprise. The intention is that the new North East Social Investment Fund will be invested initially for 10 years, but with the hope of establishing an 'evergreen ' fund in the longer term. The first fund has £9 million to invest and aims to raise a further £2.5 million.

When Northern Rock was nationalised in 2008, the Chancellor said that the bank's new management should seek to establish a viable long-term future for the Foundation. Moving towards that, some progress was made in building links with the nationalised bank and developing new covenanting arrangements. In 2010, in preparation for selling off at least part of the bank, the company was restructured and split into two: Northern Rock plc and Northern Rock (Asset Management) plc. The new retail bank, Northern Rock plc, with government approval, agreed that the Foundation would receive 1% of the bank's pre-tax profits. That covenant, to run to the end of 2012, expressed a principle but had no practical effect, since the bank made heavy losses (a £200 million loss in 2010). Northern Rock (Asset Management), managed under the holding company UK Asset Resolution, stated it would not be able to support the Foundation.

Towards closure

On 1 January 2012, Northern Rock plc was sold to Virgin Money and the new owner expressed a general commitment to supporting the Foundation. The covenant to pass on 1% of pre-tax profits was extended by Virgin Money to the end of 2013 (though, again, this had no practical effect). Virgin Money did agree later to donate £0.5 million to the Foundation in 2013 and £1 million in 2014. A jointly funded initiative on youth enterprise was developed but there was no agreement on longer-term support, although various ideas were explored.

On 1 January 2012, Northern Rock plc was sold to Virgin Money and the new owner expressed a general commitment to supporting the Foundation.

In April 2014, the Foundation announced that it was now confirmed that Virgin Money would not commit further funding. Widespread concern was expressed in the local media about the possible closure of Northern Rock Foundation, and in May 2014, Virgin Money came forward with a new offer to give the Foundation £1 million a year for five years, but on condition that this was matched by the Foundation raising £3 million per year from the private sector locally. That offer was given serious consideration by the Foundation's Trustees. Virgin Money and Northern Rock Foundation together looked at many different ways in which this offer could help to generate an income for the Foundation, including reviewing the current funding environment and canvassing views from private, public and voluntary sector bodies. Eventually, it was concluded, by both Northern Rock Foundation and Virgin Money, that, given the existing charitable commitments and links with other local funders of many other businesses in the region, this was not a viable option for the Foundation. In particular, the Foundation felt it would not be right to compete with the local Community Foundations, which had a good track record of raising funds from commercial donors in the region and managing their grant-making. It would have been pointless and ultimately destructive to compete with the Community Foundations for money from the same sources. Northern Rock Foundation had worked with the Community Foundations and their roles were clearly complementary.

In July 2014, it became apparent to Trustees that Virgin Money would not provide any further

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funding to the Foundation. Having already explored a range of other possible routes for funding, Trustees approached the government for support to avert closure. They asked the Chancellor of the Exchequer to help the Foundation by making a contribution from the profits that had been made by UK Asset Resolution (which now incorporates Northern Rock Asset Management plc) and from repayments made to the government, but to no effect. Therefore, in September 2014, Trustees announced, with deep regret, that they believed there were no funding routes left to pursue – although they would remain open to viable approaches – and that they must begin to prepare for the Foundation's probable closure. Alarmed at the prospect of closure, the region's voluntary sector, through VONNE, endorsed the suggestion that the Foundation, having held a substantial shareholding in Northern Rock plc, ought to reap some benefit – and moreover, local charities needed the help that such a contribution would bring. But again, this had no effect.

In fact, closure had seemed likely, if not inevitable, for some time. Since 2011, the Foundation has been drawing on reserves and gradually reducing operations. But it had continued to be active – for example, establishing and leading the Child Sexual Exploitation Funders' Alliance and setting up the North East Social Investment Fund[7].

The Foundation has been developing ideas for a number of significant and innovative legacy projects, totalling around £15m, funded from the remaining reserves.

The Foundation has been developing ideas for a number of significant and innovative legacy projects, totalling around £15 million, funded from the remaining reserves. Trustees intend to make several major investments in projects aiming to make a long-term and positive impact on the lives of young people. Trustees are also planning a multimillion-pound programme to improve young people's literacy across the North East and put in place ways of working to maintain improvement into the future.

The Fresh Ideas Fund will also continue for a further three years. This will be overseen by The Northstar Foundation, and will be run by the Community Foundation Tyne & Wear and Northumberland working with Northstar Ventures. Altogether Northern Rock Foundation is investing about £7 million in initiatives to improve the long-term sustainability of the voluntary sector, including the Fresh Ideas Fund, a £3 million investment into the North East Social Investment Fund and a £1.35 million grant to the North East Social Investment Community Interest Company.

The future of the Foundation's premises has been settled; the Community Foundation Tyne & Wear and Northumberland is moving into the Old Chapel in 2015 – ensuring that the building will continue to accommodate activities supporting disadvantaged communities in the North East. The region's other Community Foundations have been awarded substantial grants to add to their endowment funds for future grant-making.

The staff team had been reducing during 2014 and, with the confirmation of no further income, six staff left the Foundation at the end of December 2014. A core group of four staff is now managing the remaining programme of work, including implementation of the operational plan to enable an orderly wind-down of activities during 2015. Trustees expect that the formal closure of the Foundation will take place in 2016.

Although the Chancellor decided it would not be possible to support Northern Rock Foundation, he did agree to give funding to a new charitable venture to be developed by Virgin Money. In December 2014, Virgin Money announced the launch of the Virgin Money Foundation, a new charitable foundation that will invest in projects designed to benefit the communities where the company works. At the same time, the Chancellor announced that £4 million of government funding would be given to the new foundation to support charitable projects in North East England; this money comes from fines levied on banks. For its part, Virgin Money had already announced it would contribute £1 million to community projects in the region.

Virgin Money Foundation will become fully operational in 2015. The new foundation's grant-making is expected to be on a much smaller scale than Northern Rock Foundation, but it has been welcomed as a positive initiative that will benefit at least some communities and voluntary organisations in the region.

3. Assessing Achievements

To some extent the Foundation's thinking was ahead of the thinking and capacity of existing organisations, so it was keen to promote innovation and change in the voluntary and community sector.

Priorities and needs

Over the years, the Foundation has had a succession of grants programmes (see the Timeline, inside back cover) and developed some strong areas of interest. Nearly all funding has been provided in the form of grants (but some loans have also been made). The Foundation's work has been almost wholly focused on the North East and Cumbria, although in the early years some grants were also made in the North West, Scotland and Yorkshire.[8] Most funding has gone to support the work of organisations helping disadvantaged people, in line with the core aims of the Foundation. Grants have also been awarded to support arts, culture and heritage, which has been seen as having a wider benefit in terms of enhancing the region's quality of life, rather than necessarily being focused on tackling disadvantage.

In relation to themes or areas of interest, the Foundation's grants expenditure may be broadly categorised as follows[9]:

Categories	% of grants expenditure
Older people, carers, physical disability, learning disability, mental health difficulties	21.8
Arts, culture, heritage, creative communities awards	16.9
Domestic and sexual abuse and sexual exploitation	8.4
Children and young people	8.4
Sector development, Fresh Ideas Fund and CVSs	6.9
Community development and facilities, urban and rural regeneration, environment	6.6
Jobs, enterprise, training for work	5.6
Homelessness	5.2
Financial inclusion, credit unions, debt and welfare advice	5.0
Penal reform and tackling offending	4.9
Health, sport, substance misuse	3.7
BME, prejudice and discrimination, hate crime	3.6
Other	3.0

Grants programmes have changed, but there has been a good deal of continuity. For example, the Foundation has always had a strong emphasis on supporting people disadvantaged as a consequence of mental health difficulties or learning disabilities, and supporting communities disadvantaged by economic circumstances. Grants have been given for a variety of interventions, but the Foundation has particularly favoured approaches based on self-help and empowerment.[10] Sector development has also been a strong theme throughout, concerned with a perceived need to help voluntary and community sector organisations do more, and do it better.

The evolution of grant programmes was driven by various factors, but especially by the interests, expertise and enthusiasms of staff and the possibilities for making an impact. In the Foundation's period of growth, staff (and individual Trustees) were invited to propose a theme for a potential £1 million grants programme for the following year, and those proposals, to the 'Big Idea Fund', were submitted to Trustees for consideration. That process produced, for example, a programme concerned with penal reform and work on tackling domestic abuse. Some programmes developed out of research, as has been the case with work on domestic abuse. The Foundation's first research commission, into attrition in domestic violence cases entering the justice system in the Northumbria Police Force area, was undertaken by the University of Sunderland, commencing in 2000.[11] That led on to major practical initiatives in Gateshead and Cumbria to improve service provision. The Foundation also funded a professorship at the Policy, Ethics and Life Sciences Research Institute in Newcastle to promote knowledge and understanding of bio-ethics. In addition, through their work and connections, Foundation staff were aware of wider policy developments and could see how an intervention modestly funded by the Foundation might make a difference. Particular opportunities could be grasped, such as the opportunity to extend the Keyfund concept across the region. This innovative scheme provides small amounts of funding to enable young people to develop their own projects.

There was also scope for responding to an emergency or crisis. For example, a £1.4 million programme was set up to assist those seriously affected by the Foot-and-Mouth Disease outbreak in 2001. Initiatives supported included the Cumbria Stress Information Network, Northumberland Rural Stress Initiative, and projects promoting diversification of rural economies. In 2005, Trustees responded to a devastating overseas emergency, donating £500,000 for Tsunami disaster relief in Asia (these exceptional overseas grant awards were not repeated). In 2009, the Foundation was amongst the first contributors to the Cumbria Flood Fund, with a donation of £100,000.

Some of the grant programmes, especially the smaller ones, may be considered to have been less successful than others. Work on penal reform, for example, did not have the same kind of momentum and influence as the work on domestic abuse. The programme aimed at supporting LGBT communities experiencing discrimination developed only in a limited way (and it was later absorbed into new programmes, extending support to other groups experiencing discrimination). The healthy living programme was amongst those curtailed following the funding crisis in 2007. It could be argued that some themes should have been taken up earlier, or could have been angled in a different way. But our judgement is that, overall, the Foundation's use of resources was reasonable, and relevant to needs in the North East and Cumbria. Its programmes covered a lot of things that mattered to a lot of people. The region's needs are, of course, much greater and span a much wider range than the Foundation's grants programmes could address. Given that, this particular mix of themes and interventions seems realistic and sensible.

The grants programme was consistent with the Foundation's early ambition to fund some unpopular causes that might well struggle to get funding from other sources. It tackled some issues that few other foundations would touch. And it was prepared to take risks – at one time it even had a grants programme called 'Exploration' to fund innovative, experimental and potentially risky projects. To reduce those risks it invested in sector development, worked closely with individual organisations and supported research. To some extent the Foundation's thinking was ahead of the thinking and capacity of existing organisations, so it was keen to promote innovation and change in the voluntary and community sector.

The Foundation's considerable spending on arts, culture and heritage – especially on big capital projects – is probably the most debatable aspect of its work. In fact, when the major internal review of the Foundation was undertaken in 2005/06, some of those consulted did question this use of resources and said the money should instead be used to tackle disadvantage. For its part, the Foundation defended this grant-making on the grounds that some arts spending did, in fact, support projects tackling social exclusion – especially the smaller-scale, revenue-based community arts projects. In any case, it could be argued that the development of arts and culture was good for everyone.[12] In addition, the former building society had been a big supporter of the arts, so it could be seen as a continuation of that. At the time, there was a great deal of emphasis in the region on the idea of culture-led economic regeneration. It was felt that investment in arts and culture would help to improve the image of the region; it would support economic development and would encourage inward investment. Moreover, it was considered that the Foundation's grants could be influential, levering-in grants from others. Critics of the spending on arts and culture certainly have a valid point – and perhaps the Foundation, with growing income, was too easily drawn into supporting some big and high-profile projects. But those who say that arts and culture have wide benefits have a point too; and most of these projects will be a lasting legacy, with continuing benefits.

What about the work and the projects that the Foundation did not fund? It wanted to do more to support work specifically focused on BME (Black and Minority Ethnic) communities, given the disadvantages experienced by these communities. BME projects have been supported, but it has been difficult to do more. The main reason appears to have been a dearth of organisations working with these communities and the lack of capacity of existing organisations to apply for grants and manage projects. That has been changing, however, and in recent years the Foundation has been able to give grants to an increasing number and range of BME projects.

The Foundation did seek to exclude some causes and policy areas. Excluding activity that is the responsibility of local or central government seems wholly justifiable, though in practice may not always be clear-cut. It generally avoided education and skills – and these activities would largely be statutory responsibilities. It has been suggested, however, that the Foundation might have made its mark in that area, sponsoring an Academy School, for example. It might be argued that the Foundation's support was spread across too many issues. Perhaps a sharp focus on one or two themes might have produced greater impact – but would it have been reasonable to exclude so many other worthwhile causes?

It might be argued that the Foundation's support was spread across too many issues. Perhaps a sharp focus on one or two themes might have produced greater impact – but would it have been reasonable to exclude so many other worthwhile causes?

A much broader issue concerns the approach to tackling disadvantage. To a large extent, the Foundation has helped organisations to tackle symptoms rather than causes: 'soothing society's wounds', as the first Chief Executive put it, in 2006. Many of the projects supported by the Foundation have addressed the consequences of living with poverty and disadvantage, not the causes. There have certainly been many projects helping people to manage better (work on financial inclusion, for example). But apart from the Money and Jobs programme, there has been relatively little work directly concerned with promoting enterprise and generating employment to create routes out of poverty. It can be argued that the Foundation could not do everything, had to focus on immediate needs and, in any case, there were other agencies doing that – notably the Regional Development Agency, One North East, which had far greater resources. But there does not appear to have been much debate on whether to put greater emphasis on tackling causes; perhaps that would have come if the Foundation had been able to continue to grow and develop.

Supporting the voluntary sector

The Foundation's grant-making has involved, on the one hand, a wide spread of support to numerous voluntary and community sector organisations, while, at the same time, supporting some organisations over a long period and providing them with repeat funding. Recently, it has been concentrating resources on a relatively small number of key organisations, helping them to become more sustainable.

The wide spread has resulted from the broad thematic range of grants programmes and also from the Foundation's accessibility and flexibility, making its programmes relevant and available to many different organisations. It has awarded both big and small grants, of varying duration: while many awards were for one year or less, many others were for three years or more (Tables 1 and 2). Grants have been made available for a variety of purposes, including consultancy support, funding for individual projects, capital funding and – for many organisations – help with ongoing core costs. In addition, the Foundation has sought to make applying for funding as straightforward as possible, with clear eligibility criteria, short application forms, a fast-track process for small grants and assistance from supportive staff. The chances of success have been high: more than 50% of eligible applications have been approved for funding – and in some years the success rate has been well over 60%.

Table 1: Grants approved by size, 1998–2014

Size	No	Spend (£)
Less than £2,500	463	815,259
£2,501 to £20,000	1,551	16,205,441
£20,001 to £200,000	2,279	158,552,838
£200,001 to £500,000	90	27,720,421
£500,000 to £1 million	8	5,962,569
More than £1 million	9	15,916,308
Total	**4,400**	**225,172,836**

Table 2: Grants approved by duration, 1998–2014

Duration	No	Spend (£)
1 year	2,109	57,160,594
2 years	783	44,216,213
3 years	1,480	112,450,852
4 years +	28	11,345,177
Total	**4,400**	**225,172,836**

It did not seek a high profile, but did actively promote its grant programmes and establish a presence within the sector as an approachable, transparent and trusting funder that wanted to help.

The Foundation wanted to be well known, unlike some grant-makers that worry about being inundated with applications. It did not seek a high profile, but did actively promote its grant programmes and establish a presence within the sector as an approachable, transparent and trusting funder that wanted to help. Few charitable organisations in the region, apart perhaps from some of the smallest, would be unaware of the Foundation – and a great many have received grant support. Altogether, 2,042 voluntary and community sector organisations in the North East and Cumbria have had at least one grant from the Foundation. As well as achieving a wide spread across the sector, it also achieved a fairly wide geographical spread, though with a degree of unevenness (Table 3). Relatively high spending in Tyne and Wear is not surprising, not least because of the concentration of arts and cultural projects there. But lower spending in County Durham and Tees Valley (and especially in comparison with Northumberland) suggests that the Foundation had some difficulty reaching those areas – or difficulty finding or developing organisations that it could support.

Table 3: Grants approved by area, 1998–2014

Duration	No	Spend (£)	Spend per head of population (£)
Northumberland	472	23,078,148	73
Tyne & Wear	1,351	68,700,553	62
County Durham	548	21,573,545	42
Tees Valley	557	27,496,291	41
Cumbria	520	25,632,534	51
North East & Cumbria	66	6,886,425	–
North East	524	43,308,069	–
Elsewhere	362	8,497,271	–
Total	**4,400**	**225,172,836**	**–**

There is an argument for spreading the funding, not least to promote opportunity and convey a sense of fairness. It is widely considered, however, that good grant-making is often about longer-term investment in organisations. The Foundation has done that – and much more so in recent years. Half of the grants expenditure has gone to programmes of work and projects lasting three years or more. But more telling is the incidence of repeated support. Some 35 organisations have had at least eight grants. Altogether 160 organisations have had five or more grants. Almost all of these multiple grant recipients are locally or regionally based organisations, delivering vital support services to very vulnerable clients.

Of the 50 organisations that have received the most funding from the Foundation over the years, at least 30 are delivering services on the ground. The top 10 recipients comprise six organisations directly providing services to vulnerable people (Citizens Advice, Depaul Trust, Oasis Aquila Housing, Impact Housing Association, Barnardo's and Changing Lives); three organisations supporting local initiatives, projects and organisations (Project North East, The Key and NACRO); and the organisation that facilitated the Culture10 arts and culture programme (NewcastleGateshead Initiative).

It is worth noting that, in the very early days, the Foundation was not enthusiastic about repeat grants. It was felt that it could encourage dependency. But over time, strong relationships with particular organisations were developed, and Programme Managers, responsible for specific grant programmes, had regular contact with them. It was considered legitimate – and desirable – to maintain those relationships and continue to give grants to these organisations to help sustain them and, in a sense, secure the Foundation's previous investment in them.

That focus on particular organisations was emphasised in the strategy the Foundation adopted from 2011. With much less money, it had to become clearer about priorities, and consequently decided that it would work principally with organisations it had already supported. The aim was to help them secure their long-term sustainability.

By 2013, about 70 such organisations had been identified, working in areas which the Foundation had long been concerned with, such as homelessness, financial inclusion, domestic abuse, mental health, young people, and refugees and asylum seekers. In the last two years of the Foundation's grant-making (2013–14), applications for funding were only considered from organisations invited to apply, primarily the 70 or so key organisations. The intention was to leave a legacy of strong organisations willing and able to work together and able to continue to serve the needs of vulnerable people.

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The Foundation has always stressed that its job is to help disadvantaged people, not just keep organisations going. It has always been recognised, however, that helping organisations to operate better can ensure that they deliver services to beneficiaries more effectively. Therefore, it has not just given grants to support their work but also invested in programmes to develop their skills and knowledge and promote better management, leadership and greater collaboration. The Foundation has considerably increased the availability of such programmes to the sector in the North East and Cumbria, and has funded organisations such as Project North East and Mark Butcher Associates to deliver training services to many organisations. It also provided a 'Toolbox' of information and resources on the Foundation's website to help organisations improve their management practice. In the past, the Foundation has invested substantially in local infrastructure organisations, such as Councils for Voluntary Service, to help make them more able to support, develop and improve voluntary and community sector organisations. Support for the sector has also been given in other ways – for example, in a willingness to invite organisations to use its premises for meetings and events, free of charge.

The Foundation has commissioned studies that have looked at the impact it has had on the sector.[13] These studies demonstrate the importance of the role of Programme Managers in understanding what is needed, and what might be done, but above all, working closely with organisations to help them do well and achieve impact. There can be little doubt that this hands-on, collaborative approach – sometimes called the 'Funder-Plus' model – has been greatly valued by the sector and has produced results.

It is hard to be sure whether, as a result of the Foundation's funding and approach, the sector is better, stronger and more sustainable than it otherwise would have been. The Third Sector Trends Study, commissioned by the Foundation, found that the region's organisations are, for the most part, now well organised and resilient. Many of them have been helped by the Foundation to develop and become stronger – and that is now helping them to manage without the financial support that they used to have from the Foundation.

The most recent initiatives – the Fresh Ideas Fund and the North East Social Investment Fund – continue the process of supporting the sector's development. The intention is to help organisations move beyond grant funding and operate growth-oriented sustainable business models.

Governance and management

Looking at how the Foundation developed, it is evident that it operated with a considerable amount of independence but remained, nevertheless, dependent on its sole benefactor, Northern Rock plc. Within that context, it established objectives and implemented programmes, guided to some degree by the Trustees, and to a large extent by staff. There was a certain balance between governance and management.

The Foundation was, from the start, an independent charity, governed by its Trustees. But it obviously had a very close relationship with Northern Rock plc.

Not only was the plc its only source of funds, it also appointed all the Trustees. While fewer than half the Trustees could be current directors or employees of the plc, in practice several others were former directors or employees. The plc initially provided the Foundation's office premises and the move to the Old Chapel also enabled it to remain near the plc's head office. In addition, the plc provided various office services to the Foundation.

The Foundation was certainly not controlled by the plc. In fact, its independence from the plc was remarkable; other corporate foundations in the UK are much more tied to their sponsors' interests and image. There was undoubtedly an awareness of the plc's interests and a concern to stress its generosity, avoid negative publicity and generate positive publicity that would reflect well on Northern Rock plc. That said, neither the plc nor the Foundation itself has seemed greatly concerned with seeking publicity. With some exceptions (such as the naming of the Northern Rock Foundation Hall at Sage Gateshead and the Northern Rock Foundation Writer's Award), the contribution of the Foundation and generosity of the plc was not given much named acknowledgement. That lack of branding did give the Foundation a freedom to engage with unpopular causes without having to be too concerned about the plc's 'brand' image.

It appears that as the Foundation developed, its relationship with the plc became more detached. It was left to get on with its work; the plc had little influence other than the appointment of Trustees, and limited engagement. In the wake of the bank's collapse, however, the Foundation was strongly represented in the media both as a good aspect of the plc and as a valuable organisation that ought to survive. Afterwards, the Foundation sought stronger links with the interim nationalised bank, not least in an effort to position itself well when that was sold. More recently, it engaged with the new owners, Virgin Money, although to limited effect. A key issue is that Virgin Money was not explicitly required by the government, as part of the conditions of the sale of Northern Rock plc, to secure the Foundation's future. Moreover, the Foundation was, of course, not set up by Virgin Money and the company does not have the same kind of regional history as Northern Rock. One could conclude that there are both strengths and weaknesses in a structure where a foundation is closely tied to a particular benefactor – and such a structure is tested when the situation significantly changes. After the plc's collapse, efforts were made to find other corporate sponsors, but they generally had their own arrangements for philanthropic activity, or operated through the region's existing Community Foundations. There was no realistic prospect then, or indeed later on, of finding major new sponsors willing or able to take on responsibility for a foundation with such a well-established corporate identity.

The Trustees have governed the Foundation as an independent entity and have been committed to maintaining its independence. The Charity Commission, in an otherwise positive review undertaken in 2003, did suggest that changes were needed to the arrangements for appointing Trustees. The Commission thought there should be greater diversity and that the Foundation itself should be able to identify gaps and nominate Trustees. In fact, from 2008 under a revised constitution for the Foundation, the bank had no formal role and therefore no longer had the right to nominate Trustees.

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No doubt the Trustees are not as diverse a group as they might be, or perhaps should be. It can be said that the Trustees are to some extent representative of the region's 'establishment', not its overall diversity – though admittedly they are a more diverse group (in terms of gender balance, for example) than many of the boards of organisations in the North East and Cumbria. In terms of their geographical spread, there has been very strong representation from Tyneside and insufficient representation from County Durham, Tees Valley and Cumbria. It should be recognised, of course, that the opportunity for the Foundation itself to broaden its board membership came only after the bank's collapse and withdrawal; and by that time the imperative was managing a difficult, complex and uncertain situation, rather than bringing in new Trustees.

The Trustees have certainly brought a considerable amount of knowledge and expertise, have shown commitment and enthusiasm and have worked together well, able to engage in sometimes vigorous debate yet achieving agreement by consensus. They may not have been very diverse – but they have agreed to a great diversity of projects. The current Trustees have served for several years, bringing continuity and stability through some difficult times. Some have been quite closely involved with particular policy areas and initiatives. Their influence, though, seems at times to have been limited, especially during the period of vigorous growth. They were certainly involved

– and that came across especially in the reflective 'awayday' meetings – but in practice their function was often to agree the management's objectives, rather than set them. Submissions for all but the smallest funding applications go to the Trustees' meetings and officers' recommendations are challenged, occasionally rejected; but it is still, essentially, a practitioner-led organisation.

The Foundation's management has been impressive. Both Chief Executives, in their different ways, have provided strong and clear leadership. The first established and embedded the ethos and the supportive, engaged approach of the organisation; the second has led it through a difficult process of reassessment.

The Foundation's management has also been efficient, with running costs no more than 6% of the total budget – and those costs have been covered by income from its investments. Low staff turnover enabled retention of an expert and experienced team. The Foundation's approach to managing grants programmes is widely acknowledged to have been sensible and successful. Its management of grants has empowered and respected the voluntary and community sector and there is no shortage of organisations keen to praise the Foundation for this. However, while recognising the value and effectiveness of the Foundation's way of working, there can be drawbacks. A light touch approach to monitoring and evaluation does mean that it can be hard to know exactly what has been achieved. The Foundation has generally taken a pragmatic view of output and outcome measurement, recognising that evidencing the impact of a particular intervention is hard to do, and that measurement can be burdensome. The Foundation has trusted organisations to use the money well and deliver what they know is needed, and adopt output and outcome measures that they consider useful and relevant. That may be realistic, even correct – and, in any case, a foundation has no need to emulate public sector bureaucracy. But lack of measurement of outputs and outcomes can weaken project and programme management and, more broadly, make it more difficult for the Foundation to make its case and clearly account for its achievements.

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Over the last few years, more has been done to develop monitoring and evaluation. Just before the bank's collapse, ideas about assessing the Foundation's work, particularly in order to influence policy, were under active consideration. After the collapse, some of that continued, but the emphasis shifted more towards developing approaches that fitted particularly with the new situation of reduced funding and continuing uncertainty.

That situation has inevitably presented a substantial management challenge – and one that has been remarkably well handled. In the days and weeks following the bank's dramatic crash in September 2007, Trustees and staff came together to secure the Foundation's assets and reputation, seek professional advice, consider options, manage the media and persuade the government to help the Foundation survive. No less impressive has been the management work done since then to ensure an orderly and gradual wind-down.

Priorities have been set, notably to focus on supporting an identified group of key organisations to help them become more sustainable, and also take forward longer-term work on social enterprise. Grants have been tapered to encourage organisations to become less reliant on the Foundation. Efforts have been made – with some success – to bring in other, national, trusts and foundations to support organisations in the region. The Foundation has also seen evaluation in this context as strongly linked to passing on the legacy of experience. Moreover, reserves have been carefully managed and well invested, allowing a gradual process of withdrawal – as far as possible limiting the impacts of the Foundation's wind-down and expected closure.

Influence

As the Foundation grew, it became increasingly concerned with using its influence to promote change. It was not enough to just be a funder; the Foundation wanted to help the sector perform better and wanted to influence public policy. Fiona Ellis, the Chief Executive, declared in 2006 that the Foundation wanted to be 'a more active advocate on behalf of the sector

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... and a ruffler of feathers, promoter of ideas and critic of weak institutions and thinking'. Such a role, advocating for the sector, had found considerable support in the Foundation's wide-ranging review conducted in 2006. That ambition was knocked back by the collapse of the plc, but remained, albeit muted. There has continued to be a firm belief within the Foundation that it has built up important experience and knowledge, which needs to be disseminated to policymakers and should now be secured as part of its legacy. Interestingly, that view sits alongside a reluctance to be too visible, based on an implicit philosophy that it is the work on the ground that matters – and that is where the expertise is.

The Foundation has supported significant work in areas which are not regarded as popular causes and where policy is generally underdeveloped. Its work on domestic abuse, involving commissioned research as well as funded projects, is recognised as having made an important contribution to policy and practice, locally and nationally. It has helped to change the culture, particularly in the criminal justice system. More recently, the Foundation has done influential work on dementia[14], on sex markets[15], and on credit unions. Innovative work on a Knowledge Transfer Partnership with Bristol University has combined practice and research. The understanding gained by Programme Managers, externally commissioned researchers and those running projects on the ground has been actively disseminated both informally and formally through publications, conferences and meetings with policymakers and practitioners.[16]

The Foundation's growth and development took place alongside the evolution and implementation of the policies of the New Labour government. At times, the Foundation seems to have found that fields it moved into were soon filled with new government policy activity. The rapid development of Sure Start and the Children's Fund, and the establishment of Crime and Disorder Reduction Partnerships, for example, reduced the scope (and need) for the Foundation's intervention. In some cases, the Foundation's work complemented government initiatives – a good example is coalfield regeneration. In terms of policy issues, its interests fitted well with the concerns of the government's Social Exclusion Unit. At times, the Foundation has also been at the forefront of policy development, and been asked to contribute its experience to policy formulation, helping to develop better practice.

Distance from London made it more difficult for the Foundation to influence national policy. However, it was big enough and had a sufficiently strong reputation to be invited to participate in national networks.[17] Those networks worked best for the Foundation when it was growing, before it was diverted by crisis. Its connections and profile were also weakened when its involvement with delivering the Futurebuilders initiative came to an end in 2008. Since then, Programme Managers have individually participated in policy work at national level where their expertise has been called upon. More recently, it has connected quite closely with the coalition government's initiatives on social enterprise and social investment, including setting up the North East Social Investment Fund, in association with Big Society Capital.

The Foundation's influence at the regional level has been considerably greater. It has been a significant presence in a small region – a relatively big fish in a small pond. Even though its spending was modest in comparison with local and central government, the Foundation has occupied a distinct niche as a major regionally based philanthropic organisation with extensive connections in the voluntary sector. It is well known, highly respected and has tended to be drawn in to regional affairs, especially in relation to community development and social policy. Being focused on the region and based within it, the Foundation has been able to develop a good understanding of its needs and establish real credibility. It is seen as not 'political' but able to comment knowledgeably on aspects of social policy.

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The Foundation developed alongside the growth of regionalism and regional institutions, a process which culminated in the (failed) referendum in 2004 on proposals for an elected North East regional assembly. It has worked well with the regional institutions; some of those survive, others have recently been abolished. It fitted particularly well with organisations such as VONNE (Voluntary Organisations' Network North East), set up in 2000; that relationship continues to be important.

The Foundation has been committed to advocacy on behalf of the region, and has worked with other foundations on that. That advocacy has taken different forms. The Invest 2006 Campaign, for example, an initiative proposed by the Community Foundation Tyne & Wear and Northumberland, and part-funded by Northern Rock Foundation[18], was established to raise concern about potential funding difficulties for the sector as a result of reduced funding from the National Lottery, the EU and the government (due to the ending of the Single Regeneration Budget). The Foundation's support for IPPR North represented more wide-ranging advocacy for the region. A local charitable trust, the Millfield House Foundation, put forward a proposal for IPPR to set up a base in the region, and Northern Rock Foundation provided substantial funding to support that initiative. The principal aim was to improve policy debate and research about the region and its needs, with the hope that one outcome would be that this influential think tank would be listened to in London. The Foundation also proposed, developed and invested in the Third Sector Trends Study. The intention has been to produce research to provide a better understanding of the dynamics of voluntary and community sector organisations in the North East and Cumbria, and help strengthen and develop the sector.

The Foundation has been realistic about the amount of influence it might have. It has recognised that influencing public policy is a great prize, but very hard to achieve. It has used its own work and experience to promote changes to policy and practice, and has funded other organisations to provide evidence and generate pressure for change. The Foundation's influence has often been by example: its investment in organisations and projects – including major arts projects – has encouraged other funders to join in. That kind of influence has been especially important in recent times, as the Foundation has sought to bring in other funders to bridge at least some of the gap in funding opportunities. Other grant-making trusts and foundations, with limited regional connections, have been able to draw on advice and guidance from the Foundation – recognition of its experience and understanding of its region and the voluntary and community sector. It is recognition, too, of the value of a regionally based, regionally focused charitable foundation.

4. Conclusions

It was remarkable – and we may lose sight of this – that the Northern Rock bank, for all its faults, committed very considerable resources to helping some of the most disadvantaged people in a disadvantaged and often overlooked region.

Overview

It is clear that there were two distinct phases in the Foundation's history. The first 10 years were about growth and development, as income and grant-making grew steadily and substantially from 1997 to 2007. After the plc's collapse in 2007, the situation changed markedly; expenditure had to be significantly reduced and priorities reassessed.

But the story is not quite as simple as this. Of course, the bank's collapse was a terrible blow and had a very big negative impact on the Foundation. That said, the years since 2007 have not been just about managing decline. The changed situation focused the minds of staff and Trustees, and the Foundation did more to establish priorities and set out a clearer strategy. It focused even more on supporting disadvantaged people and moved away from supporting big capital projects in arts and culture. In some ways it became a better, sharper organisation – but of course was not able to spend as much as before, nor could it look to a long-term future.

In reviewing the Foundation's history, it is important to try to set aside, at least for a moment, the fate of the plc and go back to the Foundation's origins. The motive for its establishment was primarily philanthropic. It was a very unusual thing to do and, undoubtedly, generous. Moreover, the Foundation was not there to boost the reputation of the bank; it was given a very open remit and the freedom to spend money on causes that were often not particularly popular and were sometimes quite contentious. These were causes that mattered, but bore little relation to the business interests of the bank; hence the bank did not use the Foundation to boost its image or raise its profile.

It was remarkable – and we may lose sight of this – that the Northern Rock bank, for all its faults, committed very considerable resources to helping some of the most disadvantaged people in a disadvantaged and often overlooked region. This bank set an important example by showing that a big business was prepared to give a lot of support to people experiencing disability and deprivation. It also showed that even a company with big ambitions could remain loyal to its regional roots. The decision to establish the Foundation meant that money was spent helping those in need – money that would not otherwise have been available; and it has made a difference.

Achievements

■ Since 1997 the Foundation has spent over £225 million on community projects and initiatives, primarily in the North East and Cumbria.

■ The Foundation has successfully focused attention and resources on disadvantaged people and communities. It has been concerned with a range of relevant problems and issues, and has supported some difficult and unpopular causes that otherwise may have been unable to obtain funding. Its commitment of resources has led other funders to follow.

■ Management and administration have been efficient and effective. The knowledgeable staff team have developed good and supportive relationships with voluntary and community sector organisations.

■ The Foundation has sought to develop programmes based on an understanding of what is needed and what is likely to work. Programmes have been reviewed and revised to take into account emerging problems and opportunities.

■ The Foundation has invested in research and development and has had some success in influencing policy and practice in areas such as child sexual exploitation, dementia, criminal justice and financial inclusion.

■ Much attention has been given to helping to strengthen the voluntary and community sector by developing skills and capacity, and by fostering collaboration and enterprise.

■ The Foundation has skilfully managed the major change in its situation stemming from the collapse of Northern Rock plc. Staff and Trustees responded effectively to the initial crisis and have carefully managed the reshaping and contraction of the Foundation's activities.

The Foundation will leave a legacy that includes:

■ more sustainable voluntary and community sector organisations

■ an enhanced arts and cultural infrastructure

■ changes in culture and practice in areas of social policy and provision

■ a research and knowledge base that includes: policy-related work; sector research and development; and the grant-making experience of the Foundation itself.

In addition, it will leave a continuing legacy of projects supporting young people as well as the North East Social Investment Fund.

Lessons

- A regionally based foundation has some important attributes and advantages. Northern Rock Foundation has been able to develop a great deal of knowledge about needs, circumstances and opportunities in its region. It is well connected, well known and trusted. A regionally based foundation can know the patch in a way that a nationally based foundation, based elsewhere, almost certainly cannot.

- The Foundation's experience points to the benefits of concentrating at least some grant-making on particular organisations that will develop and grow through long-term support and repeat grants. Longer-term support can help maintain services, but can also help to nurture new or struggling organisations.

- The Foundation's experience shows both the strengths and weaknesses of being dependent on one corporate benefactor. That dependence worked very well for a decade – the covenant automatically grew as the bank's profits increased. Subsequently, as a result of the collapse of the bank's value, the Foundation was left in a difficult position, unable to broaden its funding base.

- The staff team were very well regarded by the organisations they have funded because they were supportive and knowledgeable. However, a trusting approach has tended to mean that there is limited measurement of outputs and outcomes; and, consequently, it can be difficult to specify exactly what has been achieved.

- There is no doubt that the Foundation's good performance results from the expertise and dedication of the staff and Trustees. The Foundation has benefitted from low staff turnover and Trustees' commitment.

What might have been...

Finally, it is interesting to speculate how the Foundation might have developed if the bank had continued to do well or, indeed, if it had been taken over and the Foundation's income (and shareholding) had been secured.

Before the bank's collapse, the Foundation seemed to be moving up a gear, and it was certainly seeking to be more influential. It might have become clearer about what exactly it wanted to achieve and change. Perhaps it would have adopted more of a commissioning approach, becoming more directive. It might have done more to ensure better coverage of the region in terms of Trustees and grant-making. It might have become more strategic (as it had to become when resources became scarcer). It is likely that the Foundation would have continued to invest in areas such as tackling domestic abuse – areas in which it had acquired a reputation for expertise and understanding. No doubt it would have continued to invest in efforts to improve and grow the voluntary and community sector.

Leaving aside such speculation, we can say that the Foundation has made an important contribution to the well-being of the North East and Cumbria. It has helped to enrich the lives of many people. For some organisations its funding has been beneficial but not crucial; for others it may have been transformative, a really important input that helped them survive or grow, or become what they are today.

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We cannot say that the Foundation has changed the region in fundamental ways. Far greater resources would be needed to do that. We might well say that, had it continued to grow and develop, the Foundation would have achieved far more. Perhaps in 2007 it was poised to really make a big impact in the decades ahead.

The Foundation did well. Now, others must do what they can to support the many disadvantaged people and communities in the North East and Cumbria.

Notes and References

1. See: Stephen Aris, *Building the Northern Rock*, Northern Rock plc, 2000, pp. 134–5. This celebratory corporate history says the idea for the Foundation emerged from a discussion with advisers at JP Morgan about defending the organisation against takeover. Leo Finn, CEO (and later Chair of the Foundation), said that setting up the Foundation was an 'honourable way for the society to lay up its colours' (Northern Rock Foundation Annual Review 2005).

2. The Foundation matched, £1 for £1, donations to charities made by the plc's staff from their fundraising activities or their individual giving. Groups or individuals themselves choose which charity they wish to support. In 2006, the Foundation doubled the matching contribution, to £2 for every £1 donated by staff; that was brought back to £1 after the plc's collapse. The Staff Matched Giving Scheme continued to operate for the staff after the sale of the company to Virgin Money in 2012. By the end of 2014, the Foundation's contribution to the Scheme totalled almost £5.6 million.

3. Rising income even included a 'windfall' of £12 million in 2000, when the plc purchased some of the Foundation's shareholding in the company under a Share Buy Back Scheme.

4. In 2000, the biggest grant-maker was Wellcome, at £479.8 million (compared with Northern Rock Foundation's £9.7 million). In 2001, only Sun Alliance Insurance gave a greater proportion of its profits to charity: 6.4%, compared to the Northern Rock plc's 5%.

5. Indicative of the symbolic importance of the office move, the Chief Executive produced a report, 'The Northern Rock Foundation: new home, new thinking', for the Trustees Reflective Meeting in August 2002. In the Foundation's Five Year Review 1998–2002, the Chairman, Richard Harbottle, said that 'we believe that we have now reached the end of the beginning'.

6. An analysis of the causes of the collapse is given in Treasury Committee (2008) *The Run on the Rock: Fifth Report of Session 2007–08, v.1*; House of Commons. For a locally based account see Marshall, J. N. *et al* (2012) Placing the run on Northern Rock, *Journal of Economic Geography*, 12, pp. 157–81.

7. Another innovation was the North East and Cumbria Dementia Fund. This new £900,000 fund, launched in May 2014, was developed by a partnership of three organisations: Northern Rock Foundation, Comic Relief and Ballinger Charitable Trust. It aims to support organisations helping people living with dementia to continue to live and play an active part in their community.

8. The original commitment had been to provide funding to support work principally, but not exclusively, in the North East of England. In 2003, following a review of activities, Trustees decided to focus grant-making exclusively on the North East and Cumbria.

9. Analysis of grant expenditure using data from the Foundation, aggregated to broad categories. Grants were allocated to one main category, but in practice there is considerable overlap. The percentages are therefore only broadly indicative of the distribution of grant funding. By the end of 2014 the total spend on charitable activity was about £230m (£225m on main grants, £3m on commissions, £5.6m on staff matched giving and £1.5m on other awards, less £5m repaid where projects didn't use the full grant – about 2% of the total amount awarded). Full lists of grants awarded, by name of organisation and amount, are published in the Foundation's annual reviews (www.nr-foundation.org.uk/annual-reviews-accounts.php).

10. The emphasis on empowerment is expressed, for instance, in the guidelines for grant applicants in 2003. It says: 'We mainly want to assist by responding to people's own views of what needs to be done and equipping them, financially, to make changes themselves. We are much less interested in outside providers and umbrella bodies ...' It goes on: 'You are more likely to be successful [with your application] if your organisation is led by or has strong representation of the people you are trying to help'.

11. For this and subsequent research reports on domestic abuse, see www.nr-foundation.org.uk/domestic-sexual-abuse.php

12. For an assessment of the beneficial impacts of culture-led regeneration, see: NewcastleGateshead Initiative (2009) *The making of a cultural capital*.

13. See: Brightpurpose: *Final Impact Evaluation for Northern Rock Foundation (2014)* and *Public Value Research-Learning Summary (2012)*. Also Center for Effective Philanthropy (2011): *Grantee Perception Report* prepared for Northern Rock Foundation, and Institute for Voluntary Action Research (2014): *Being There: Northern Rock Foundation's approach to resourcing grant making*, www.nr-foundation.org.uk

14. The Foundation's commissioned research on dementia care in the region is reported in: *Dementia: A North East Perspective* (Debbie J. Smith, 2011).

15. See: *Sex Markets in Teesside* (Barefoot Research and Evaluation, 2013); *MAP: Exploring the Lives of Male Sex Workers in Tyne & Wear* (Cyrenians, 2013); and other research reports at www.nr-foundation.org.uk

16. Publications include: *Rock Reports* (a newsletter published twice yearly between 2002 and 2010; subsequently superseded by a quarterly e-newsletter); and research publications *Think* (5 issues) and *Insight* (3 issues) and commissioned research reports. See www.nr-foundation.org.uk

17. An early success in developing and influencing national networks was the Foundation's role in helping to bring to Newcastle the Association of Charitable Trusts conference in 1999. A later example was the Foundation's participation in the Young Foundation's work on mapping Britain's unmet needs; see *Sinking and Swimming. Understanding Britain's Unmet Needs*.

18. The Invest 2006 Campaign was also funded by the Millfield House Foundation in addition to the Community Foundation Tyne & Wear and Northumberland and Northern Rock Foundation.

Timeline

1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014

Main Programmes and Initiatives*

- Northern Rock plc Staff Matched Giving Scheme
- Virgin Money staff matched
- Support/empowerment for disabled people and their carers
- Hospices. Pilots in literacy, parenting, com. devt.
- Community Training Awards/'Visit & Learn'/voluntary and community sector capacity-building, training and leadership etc
- Young People
- Older People, 'Third Age'
- Coalfields initiative
- Regeneration
- Penal Reform/Preventing Reoffending initiative
- Arts – 'Creative Communities' and (from 2001) 'Living in the North East'
- Gay/Lesbian people
- Capital Schemes – Arts & Culture – also (from 2007) 'Better Buildings'
- 'Aspiration' (culture, environment, heritage, sports) refocused as 'Culture & Heritage' in 2007
- 'Prevention'
- 'Basics' (incl disability and domestic violence); refocused as 'Independence and Choice' in 2007
- 'Exploration and Experiment' (incl research)
- 'Better, stronger vol sector' (incl training)
- 'Regeneration' (incl Devt Trusts and Social Enterprises) refocused as 'Money & Jobs' in 2005
- 'Tackling Domestic Abuse' initiative
- Policy and Influence – 'Making a Difference' – Research and Evaluation
- Loans Programme
- 'Strong & Healthy Communities'
- 'Safety & Justice for victims of abuse'
- 'Building Positive Lives' (focus on young people) – 'Changing Lives'
- 'Managing Money'– Financial inclusion
- 'Having a Home' – Homelessness
- 'Fresh Ideas' – Social Enterprise

** Excluding 'Exceptional Grants' and NR plc Discretionary Fund (until 2008)*

Key Events / Milestones

- Initial plans for NRF as part of demutualisation (96)
- Charity registration of NRF (8/97)
- Conversion of NR to a plc (10/97)
- Fiona Ellis appointed CEO (1/98)
- Launch (1/98)
- 8 staff
- Website launched
- (VONNE established)
- NR share buy-back windfall – £12m
- NRF Writer's Award starts
- Foot & Mouth Relief Fund (2001–02)
- Award for 'Best Grant Maker'
- £13.4m grants in 2002
- Relocated to Old Chapel (12/02)
- New grants programme
- Support for IPPR North starts
- £25.5m grants in 2004
- NRF 'Futurebuilders' consortium (2004-08)
- 'Invest 2006' campaign starts
- Policy Review 2005–06
- NR plc covenant peaks at £31.3m
- £27.3m grants in 2006 – peak
- 26 staff
- NR plc collapse (9/07)
- NR plc nationalised (2/08)
- Govt agrees £15m to NRF in 2008/09/10
- £10m grants in 2008
- 13 staff. New CEO Penny Wilkinson (6/09)
- Reserves £37.4m (2/10)
- Coalition Govt elected (5/10)
- End of £15m p.a. donation
- New NR plc instates 1% of pre-tax profits covenant
- NR plc acquired by Virgin Money (1/12)
- Grant programme to close in Dec 2014, announced
- NE Social Investment Fund announced (12/13)
- NRF expected closure announced (9/14)
- Grant programmes close (12/14)

Chairs

- **Reay Atkinson** from 08.1997
- **Richard Harbottle** from 06.2000
- **Leo Finn** from 01.2004
- **Alastair Balls** from 01.2006

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