



Being There

**Northern Rock Foundation's
approach to resourcing
grant making**

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Foreword

Over the last 17 years Northern Rock Foundation has developed an emphasis on learning and on sharing knowledge. The Foundation is unusual in being a large grant maker working across a relatively small geographical area. As the Foundation reaches the end of its grant making we are publishing a series of reports, in 2014 and 2015, on the work of the Foundation and the role it has played in the North East and Cumbria. Our intention in publishing these reports is to share the learning from our work as a regional funder and to help others, particularly other charitable funders, to understand both what we have done and how we have done it.

This first report, by the Institute for Voluntary Action Research (IVAR), focuses on the distinctive approach to grant making which was developed by the Foundation's first Director, Fiona Ellis, and implemented by the Foundation's team of Programme Managers. Whenever we talk to voluntary and community sector organisations about our work they tell us how much they appreciate that approach and we thought it would be both timely and useful to try to identify and describe its component parts. IVAR has done this with great clarity and insight, illuminating the staff's and also Trustees' understanding of what they were doing and why they were doing it in that way and setting that alongside external colleagues' experience of working with the Foundation. We are greatly indebted to those colleagues for giving so generously of their time, and to the team at IVAR for asking such interesting questions.

This has been a fascinating and thought-provoking piece of work and we are pleased that the report's conclusions show clear benefits and positive impact from our grant-making approach. We hope very much that colleagues in the Trust and Foundation world will find this report of interest and also of practical value for their own grant-making.

Penny Wilkinson

Chief Executive

1. Introduction

'I always felt I could take problems as well as successes to them and seek advice. I could always trust them.'

In February 2014 Northern Rock Foundation (hereafter referred to as "the Foundation") invited the Institute for Voluntary Action Research (IVAR) *'to look at the way Northern Rock Foundation has funded the voluntary sector in the North East and Cumbria, to capture the distinctive nature of their approach over the 15 years of grant making in the region and to share the learning from that with other trusts and foundations'*.

Our primary focus has been the "how" of the Foundation's approach and what can be learned from the way in which the Foundation has worked, rather than the impact of its programmes. At a time of growing pressure to evidence objective "value for money" through process, outcomes and impact, there are some very important lessons in how a foundation can work collaboratively and creatively with its grantees and other partners to fulfil its mission.

This report complements other studies being undertaken to describe and analyse the history and impact of the Foundation's work as it comes to an end. The report has been written by Richard Hopgood, Alison Harker and Ben Cairns, based on a series of conversations with the Foundation's Programme Managers about their approach to funding, collectively and individually, as well as interviews with regional and national partners and some grant recipients (see Appendix One).

Unattributed quotes from interviewees are presented in italics; where necessary we distinguish between the Foundation's staff, partners and grantees.

In Section 2 we provide a brief overview of the Foundation. Section 3 covers some of the hallmarks of the Foundation's approach to grant making (we include here three illustrative examples from Foundation grantees). In Section 4 we reflect on the Foundation's approach and its implications and challenges before, in Section 5, concluding with some tentative thoughts about learning for other funders.

2. About Northern Rock Foundation

'Responsive grant making with more experimental approaches.'

The Foundation was established in 1997 as a charitable company limited by guarantee, just before the formation of Northern Rock Bank the same year, and began grant making in 1998. The Foundation held 15 per cent of the Bank's issued share capital and the Bank covenanted five per cent of its annual profits, which for the first nine years produced an income rising from £10 million in 1998 to £31 million in 2006. The Foundation's Trustees were appointed by the Bank and the staff were employed by the Bank and then seconded to the Foundation.

The Foundation was established with a principal but not exclusive focus on the North East of England. In its earliest years the Foundation also funded work throughout the North and Scotland, but in time restricted its geographical range to the North East and Cumbria (with a combined population of some three million).

The initial priority for grant making was work with disabled people, but this rapidly broadened to support work around mental health, young people, older people, domestic violence, rural and urban regeneration, penal reform and the arts; as the Foundation's income grew, the number and breadth of its programmes increased. In the earlier years, some 300–400 grants were awarded each year; in later years, the range was 200–300 with a substantial proportion of spending accounted for by grants in the range of £100,000–£250,000. The annual ratio of grants to eligible applications has ranged between 40 per cent and 60 per cent.

Since the collapse of Northern Rock Bank in 2007 there has been uncertainty about the funding and long-term future of the Foundation. In September 2014 it was confirmed that the Foundation's current grant programmes would close at the end of 2014 – and that the eventual closure of the Foundation was now likely.

From the outset, the Foundation sought to combine responsive grant making with more experimental approaches; it also wanted to inform the thinking and planning of regional and national policymakers. Alongside programmes which responded to the ideas and actions of different sectors, the Foundation designed or commissioned work targeting a single problem or backing a particular organisation's approach. Early examples were its programmes in the coalfields, penal reform, foot-and-mouth disease, tackling domestic abuse and a £1 million investment in the youth charity The Key¹. It was also an early pioneer of loans, which it operated through Charity Bank, and was part of the consortium which ran Futurebuilders. From 2007 it funded training, development and support to help improve the management and financial capability of voluntary and community sector (VCS) organisations in the region, this included sector-specific training to improve the quality of provision. It also shared its knowledge and experience by commissioning and publishing reports on aspects of social justice to try to inform and influence the policy of fellow grant makers and statutory bodies.

The general approach is described in this quotation from the Foundation's first Five Year Review:

'... We use our money in various ways. Most of it is used in grants in response to requests made. Some of the grants simply pay for services to beneficiaries for the continued work of the organisation, as core or project funding, others are investments in organisations or people designed to change the way they work and to return more value than the financial sum invested ... Finally, we have done some commissioning where we ourselves have identified important areas for research or schemes and ideas in need of testing.' (1998–2002 Northern Rock Foundation Five Year Review, Director's Statement, p.4)

1 The Key was formerly known as Keyfund.

3. Six hallmarks of Northern Rock Foundation's approach to programme grant making

'Always been constructive. They trusted us a great deal and that has made us always want to do more for them.'

1. Getting the best out of relationships
2. Focus
3. Knowing your place
4. Thinking first – knowledge and thoughtfulness
5. Taking a lead and learning from experience
6. Taking the long-term view

Hallmark One: Getting the best out of relationships

Investment in getting the best out of relationships is the first hallmark of the Foundation's approach. Their interaction with applicants and grantees has been based on grant-making principles which were established early on, including:

- Openness and accessibility
- Clear information on what to apply for
- Assessment through visit and informed discussion
- Realistic funding
- High trust and high expectations
- Mutual honesty
- Light-touch administrative requirements

- An interest in the whole organisation and not just the work funded
- Non-financial support to assist development
- The establishment of long-term relationships.

A high premium is placed on getting to know applicants where funding is possible, and not judging too much on the quality of written applications. Help is given to applicants who may struggle with the formal requirements, and applications encouraged from poorer areas, where charities may feel hesitant about applying:

'It becomes harder for a funder, if you're not getting out, to attract applications from the poorest areas. You will tend to fund stuff which "catches the eye", whereas the real need and opportunity to make a difference might be elsewhere.'

The overriding principle has been to focus on the issue, not the process, and this has enabled judgements to be made not from conformity to administrative rules but from what is best in terms of the issue. With many grantees, the Foundation has had long-term relationships which embody both high trust and high expectations. Reporting requirements are relatively light and risk is managed predominantly through relationships rather than systems. They treat people as partners, and there is a strong mutual expectation of honesty. Relationships are nurtured through informal contact (for example, at events or simply dropping in for a coffee and chat), as well as through more formal mechanisms:

'We're a light-touch funder – probably the lightest of all, with minimal reporting requirements if things are going OK. We know the people, meet them often at events, and can pick up any worries on the grapevine.'

'It's possible to build up an atmosphere of informality (or formality) at the outset which sets the context of a relationship ... the power relationship can be defused through more contact.'

Grantees (in our interviewees and other surveys) feel the Foundation is 'an exceptional funder' who is 'on their side' – unlike some other funders who can be 'demanding, inflexible' and sometimes seeming 'to want to catch them out'. Programme Managers are supportive when there is a problem and generous in offering development opportunities (for example, leadership training):

'Always been constructive. They trusted us a great deal and that has made us always want to do more for them, unlike some funders who can be very demanding in a negative kind of way. They are light touch in their application and reporting requirements but engaged. I always felt I could take problems as well as successes to them and seek advice. I could always trust them.' (Grantee)

'I always felt they knew us, the region and the sector and were interested in the whole organisation and not simply the bit they were funding. I was never afraid to raise problems with them because I knew the response would be constructive. NRF was less formally demanding on monitoring information, but because of the relationship, I worked harder on my reports to them, and always appreciate the feedback.' (Grantee)

A common thread running through the Foundation's approach is to build the capacity of the VCS and individual organisations through non-financial means as well as funding. From 2007, substantial sums have been spent on commissioning second-tier organisations to provide training and development for grantees in areas such as leadership, strategic planning, governance and finance.

The model has been based on making an offer rather than applying pressure. Grantees commented that some of the courses they had attended had been substantial, high quality and invaluable. The training has also been designed to enhance resilience within a much tougher financial climate:

"Management capability and capacity will be crucial in helping the voluntary sector to respond to the challenges of the next few years. The Foundation's Training and Development Programme concentrated on income maximisation, management tools and practice, leadership and strategy, and board and senior management development. This provided a tiered approach to meet different levels of experience and need... We continued to offer Learning and Support grants of up to £2,500 to provide bespoke support to organisations on issues such as strategic planning, marketing and governance."

(Annual Review 2009, p.17)

Capacity has also been built through establishing fora which bring organisations together to exchange best intelligence and best practice, and the Foundation has supported some of these over many years.

These relationships and connections have given the Foundation a pivotal role within the region of *'thought leadership'* – respected for their knowledge and expertise – and as a catalyst and enabler of change.

Hallmark Two: Focus

The Foundation's purpose was first expressed as *'to help improve the conditions of the disadvantaged in society'*, but then evolved into aiming *'to tackle disadvantage and improve quality of life in the North East and Cumbria'*. From early on, its approach was characterised by an ambition for change emanating from the unusual opportunity of being a regional funder with a relatively large and increasing pot of money to spend:

'By any measure the Foundation's goal is an ambitious one: "to help improve the conditions of the disadvantaged in society" but with five per cent of Northern Rock's pre-tax profits to spend each year, the Trustees have the resources with which to achieve it ...' (1998–2002, Northern Rock Foundation Five Year Review, p.6)

The Foundation is a generalist funder, but established strategic priorities to communicate its aims. In doing so, it took into account particular regional needs and issues which, historically, found it hard to attract funding and, most importantly, where there appeared to be opportunities for change. Over time, their choices were also informed by discovering *'the opportunities which came from being a major funder in an area which it knew'*. A number of people commented that those choices were *'bang on the nail'*.

Programmes delineated the sectors which the Foundation wished to prioritise, but without being over-prescriptive. The choice of grantees reflected an interest in furthering good work as well as systemic change, and in building local capacity through filling gaps rather than always funding the strongest organisations. The Foundation's practice included a commitment (at different stages in the grant-making cycle) to:

- Thinking first
- Making its own analysis of needs and priorities rather than following the prevailing wisdom
- Considering what charitable funding can best achieve
- Deciding what the problem is
- Working with others to fill the gaps
- Flexible funding
- Accessibility and approachability.

Hallmark Three: Knowing your place

Much of what is distinctive about the Foundation's approach flows from the particular challenges and opportunities of being a new and substantial regional funder, for whom the region and its challenges were at the heart of its mission rather than a transitory choice. The Foundation had expected to be there for the long term and this has affected their own perspectives and how others have viewed them.

For the Foundation's staff, many of whom had experienced life in the region's poorer communities and/or live in the area in which they work, this gave a distinctive sense of accessibility and accountability:

'There's a different kind of accountability, you rub shoulders more with grantees and applicants. You are more emotionally involved, you're in more for the long term, you have a bigger investment in the decisions you make, and you passionately want to make things better.'

'The Foundation was very keen on equalising access to services. This meant not always funding the best, but developing charities in poorer areas where there might otherwise be nothing. This approach arose from a more explicit connection to communities.'

A regional funder can build broader and more diverse networks than most funders because of the greater interconnectedness of society in regions, where things work on a more intimate scale. The Foundation has within its area of benefit 13 local authorities with whom it has been important (and possible) to build relationships and understand their geography and differences. Its relationships with these and other agencies and partners presented a different opportunity set. It enabled the Foundation to see (and make) connections, to make a realistic assessment of what change was feasible, and to involve a wider cast of players in enabling change:

‘The beauty of being a regional funder is that the Foundation can see connections, and test multi-agency work in greater depth than national funders.’ (Partner)

For grantees, it gave a sense of reassurance that the Foundation understood their context, was there for the long term, and could open doors:

‘The local base gives the Foundation a deeper understanding of the area ... The ‘nationals’ parachute in, realise how expensive it is to work in Cumbria and leave. The Foundation’s local knowledge helps in its identification of need and who to work with. They are good at leveraging things and working with those with influence.’ (Grantee)

‘They would know things like which line of the tracks on certain estates would be the one to prioritise and so are good at matching familiarity with place and need.’ (Partner)

Being based so far from London caused some frustration that the Foundation’s influence on national policy was less than it might have been, but some felt that this was less a matter of distance than internal capacity, and that in time this would have been developed.

Hallmark Four: Thinking first – knowledge and thoughtfulness

The fourth hallmark of the Foundation's approach to grant making is their curiosity and commitment to gathering and building knowledge:

'... there is more to being a grant maker than making grants. Being clear about the questions which need to be asked, searching for answers and being prepared to stand by sometimes contentious decisions are equally important parts of the picture ...' (1998–2002 Northern Rock Foundation Five Year Review, p.6)

"A thing is interesting because of thinking about it and not because of it being new" (The Curious Incident of the Dog in the Night-Time, 2003, Mark Haddon). For grant makers who want an interesting life, thinking is essential. There are no new problems and not too many new solutions. Not thinking means doing the same things in the same way and getting the same results.'

(2004 Northern Rock Foundation Annual Review, Director's Report, p.6)

From the outset, the Foundation had a commitment to building knowledge of its region and sectors, internally and externally. Where possible, its Programme Managers were recruited from the voluntary sector and were encouraged to build experience and expertise in their programme sectors. They were given the space to *'get out and about'*, and the freedom and responsibility to shape their own programmes:

'I sought to develop an understanding of the communities; develop and use networks of key players and sources of advice; and try to understand how organisations work and what the real problems are. It was a bit like being a journalist.'

'A box ticking approach [was not allowed]. That leaves you quite exposed but means you have to shape your programme with your own commitment and personal judgements. It's a very individualistic approach.'

'I was given a lot of personal freedom and responsibility: I became an expert generalist.'

Initially, the approach was based on a 'diagnostic model', but experience showed that this could lead to over-funding organisations which lacked the capacity to handle the change required of them. With experience, a more collaborative approach was used, working with key players (both voluntary and statutory) on the ground to see what change was feasible. Significantly, although the Foundation worked closely with others, it did not necessarily require those they funded to work collaboratively, unless (of course) it was appropriate. The Foundation did not slavishly go down the "working in partnership" route.

Within each programme, decisions were made on who to work with, where the gaps were, and what could be achieved:

'A key question is: "If you are interested in policy, where do you get the information/evidence from?" Trusts should select an issue and really dig down and at all times remember the client. Unless funders get to know how things work on the ground they will tend to cherry-pick the "easy" (good) charities; draw the wrong policy conclusions; and miss out on the opportunity to deal with local statutory agencies. Without this knowledge and understanding, you can't identify what might be the trigger to shift how things might work for the better.'

Partners and grantees commended the depth of the Foundation's knowledge, the realism and quality of judgement that this has enabled, and the value of its connections to key players and decision-makers:

'It takes confidence for a funder to "do the homework", do the research, analyse the need and provide the necessary funding. They have access to brilliant information and have tried to use their intelligence and expertise to good effect and to help organisations and work on issues which are not very sexy.' (Grantee)

'The impression is that when they decide to fund they get very "clued up" and make it their business to know everything there is to know on the subject. NRF has realistic expectations of what is achievable and this is influenced by their knowledge of the issues, area and locale. They try to achieve change.' (Grantee)

Networks of knowledge were built through relationships with key players, academics and statutory agencies. The Foundation also commissioned and published research to scope issues, shine a light on hidden problems and broaden understanding of the challenges and opportunities for change for key sector players, both voluntary and statutory. The Foundation has also used conferences, seminars and workshops to share their findings, influence funders and key players, and create some momentum for change:

'Research can be a powerful tool to give local services the ammunition to push for more resources and new posts. NRF was often able to use research (and sometimes the offer of match funding) to influence local authority decisions and in particular to fill gaps in service provision, which was a strong interest of the Foundation.'

Although a small number of interviewees wondered whether the reports were as influential as the Foundation might have hoped (*'it is very rare that they are as significant as the writers think'*), most expressed appreciation of the Foundation's willingness to commission reports and share knowledge both publicly and informally:

'Their study of third sector trends had enormous value beyond the region as many of the issues it described were generic and not peculiar to the region. The same could be said of their work on helping organisations to think about future-proofing against a much harsher financial climate. Their research on the perpetrators of domestic violence has also been extremely valuable.' (Partner)

Hallmark Five: Taking a lead and learning from experience

The Foundation has been willing to take hard decisions and risks to achieve change, and encouraged others to take risks by both expecting and tolerating failure on occasions, so long as lessons were learned and shared:

'[of Exploration grants] Of these the main measure of success is that the experimenter learned something. In other words, this programme has no failure except failure to learn.' (2003 Northern Rock Foundation Annual Review, p.20)

It has not been afraid to take a public role or to give leadership, which for the most part has been appreciated, even if occasionally leading to some bruised toes:

'The Foundation had always had a strong thrust of focus and direction and always made decisions – we have not messed around.'

'Trustees are used to risk. They don't worry if things go wrong. A fundamental principle with grantees is that we are not here to apportion blame.'

Other funders, partners and grantees valued both the leadership and honesty which the Foundation has shown:

'They could sometimes be seen as interfering buggers but they always tried to take initiatives for the greater good and always played a role in sector leadership.'
(Grantee)

'They delivered a workshop at the ACF [Association of Charitable Foundations] on the successes and failures of the Domestic Violence Programme: the honesty was extremely refreshing and helpful to other trusts and foundations to help them do things better in partnership work and commissioning and managing academic evaluations.' (Partner)

The Foundation also sought to change its own practices in the light of experience, and to be ready to make changes if something was not working:

'We adapted practices to become more effective, focusing on the objective of the grant rather than the vehicle.'

'We have been practical – if something is not working or is no longer needed, do something about it.'

The one note of caution we heard about this hallmark of the Foundation's approach (Taking a lead and learning from experience) relates to significant operational and evaluation problems with the Gateshead/Cumbria Domestic Violence Programme, which have been freely acknowledged. It was suggested that the problems should have been grasped much earlier and that, on this occasion, the Foundation's "high trust" model with grantees and partners had delayed remedial action.

Hallmark Six: Taking the long-term view

The sixth hallmark of the Foundation's approach is a commitment to taking the long-term view:

"Our goal has been to enable problem-solving actions to happen in such a way and over sufficient time that they have a fair chance of getting results."
(2004 Northern Rock Foundation Annual Review)

The Foundation has combined its sectoral and regional knowledge with an understanding that change usually happens through many different players and requires patience, time and opportunity; and that you need to be there for the long term if you want to make a serious and sustainable contribution. Complex issues require complex solutions, which take time to broker, and require relationships nurtured and activities built over time.

Although the Foundation's grants generally have a three-year lifespan, their sector focus and engagement has been long term. This has enabled staff to build knowledge and networks over extended periods and to be well placed when opportunities arise from a wider momentum for change:

'In some areas of work, it is important to be ready with a bank of experience for when opportunities come along to achieve wider influence, because such opportunities are few and far between.' (Partner)

The Foundation has funded work in dementia for many years. It is a member of the North East Dementia Alliance (NEDA), a partnership founded in 2008, which brought together health, social care, voluntary and private sector organisations to work to drive improvements in health and care, create dementia-friendly communities and improve research. The Foundation commissioned a report in 2011 (*'Dementia: A North East Perspective'*) which provided an overview of current work to support people with dementia and their carers, highlighted progress and gaps in service provision. The report was used by NEDA as a work plan and informed the future direction of the work of many key players in the field. The Foundation this year commissioned and published an update of the report.

The Foundation's major Domestic Violence initiative in Gateshead and Cumbria had a seven-year lifespan, which was highly unusual then and remains so now. Although mixed views have been expressed on how much the programme achieved, many interviewees praised the Foundation for remaining engaged with the domestic violence sector for the last 10 years:

'The fact that they were there "for the long haul" was extremely important. The record of material and substantive change over the last 10 years showed the benefits of long involvement.' (Partner)

The experiences of three organisations funded by Northern Rock Foundation

'When you operate like Northern Rock, you enable innovation, it becomes the reverse of cosy. You feel you are on the same side.'

The Key

The Key was set up 21 years ago, based on an idea pioneered by detached youth workers in the 1970s. The Key provides groups of young people with a modest grant and a trained volunteer facilitator to design, plan and carry out a project, from which they can develop 12 skills which contribute to "self-efficacy".

In 2003, the Foundation awarded The Key a grant of £1 million over three years to support them in scaling up their work. When a new CEO arrived in 2005, she found that the charity's infrastructure was unable to cope with the scale of activity and was at a funding "cliff edge" with the imminent end of the Foundation grant (which accounted for 80 per cent of their income): *'the grant almost killed Keyfund'*². She concluded that the charity would need to radically scale down or adopt a social franchise model to enable growth at the grassroots level. The Programme Manager liked the social franchise idea and the Foundation awarded a grant of £100,000 per annum for three years to cover core costs and project grants, with flexibility as to how the money could be spent. At the same time, the Programme Manager also worked with the CEO to identify areas for support and guidance, help recruit a new Chair, and broker an introduction to Impetus Trust. Impetus Trust went on to bring The Key into its portfolio (their first in the North East). Impetus applied its model of close engagement and pro bono consultancy to help get The Key "fit for growth" whilst scaling up. Structures and processes were reshaped (achieving 70 per cent efficiency savings) along with the provision of five years of funding.

² The Key was formerly known as Keyfund.

By 2008/9, the level of activity was *'going through the roof'* and The Key had to put a hold on allowing new groups to register, which caused major reputational difficulties. The CEO asked the Foundation to *'refill the pots'* (for grants to The Key groups) and proposed that training and management fees be introduced. The Foundation agreed, and this together with local authority funding helped get The Key back on an even keel again.

Working with Impetus was *'a fantastic experience'* but the pragmatism and support of the Foundation's Programme Manager was very important – and a good counterbalance to the Impetus model, which focused more on metrics of growth and outputs. The Foundation *'absolutely had our best interests at heart'*, and the support of the Foundation's Programme Manager was valued and described as very candid and an excellent sounding board. He also helped make introductions to other funders and allowed The Key to use the Foundation's money with maximum flexibility: *'If a funder offered £30,000 of restricted funding, I knew I could use it and keep the Foundation money for unrestricted funding when needed. Without that flexibility, I might have had to accept a lower amount'*.

The Key's CEO identified some of the ways in which the Foundation has been a very supportive funder:

- As a local funder they understand the world in which The Key works
- They are interested in the development and achievements of the charity as a whole
- They are happy to use their own networks to make connections, and have included The Key in area visits which they have hosted for other funders
- They are sympathetic to problems, which encourages honesty and no fear in giving bad news.

Arch North East

Arch North East (Arch NE) is a rape and sexual abuse advisory service, which provides counselling, help and support to people affected by rape and sexual abuse across Teesside.

The relationship with the Foundation's Programme Manager has been extremely important for Arch NE in terms of knowledge and understanding of what is going on in the region; bringing people together; and commissioning research that *'can be used by everybody'*. In particular, Arch NE's CEO felt that the Government Office and the Foundation were the only organisations in the region with an overview of the domestic violence and sexual violence situation in the North East.

In 2002, the government produced a sexual violence action plan and guidance for police. Arch NE set up a local strategy group the coordination of which the Foundation still funds. The group produces *'brilliant data'* and its work has informed the Police and Crime Commissioner's action plan.

The Foundation has been a flexible funder, allowing Arch NE to defer use of its grant without claw back. The CEO also benefited from leadership training (funded by the Foundation), which included a year of mentoring, and led directly to her being able to work with the Home Office and the Department of Health.

The CEO felt that the Foundation's approach to programme funding was helpful because it was clearly defined and well laid out as well as lacking rigidity: *'NRF is exceptional, in part because it is a regional funder. When you operate like NRF, you enable innovation, it becomes the reverse of cosy. You feel you are on the same side.'*

Middlesbrough & Stockton Mind

In 2004 the Foundation awarded Middlesbrough & Stockton Mind (MSM) a core cost grant for the salary of the Deputy CEO, who is the organisation's specialist in mental health. The grant for the Deputy CEO was initially for three years and was then twice renewed (ie to make nine years of continuous funding). The post was instrumental in giving the CEO the time and space to work on the quality of services and build an evidence base, which was key to delivering on existing contracts and winning new ones.

The CEO felt that the Foundation's Programme Manager '*knew us, the region and the sector*' and was interested in the whole organisation and not simply the bit they were funding. MSM was never afraid to raise problems with them because they knew the response would be constructive, whereas they were more wary with other funders. Despite the fact that the Foundation was less formally demanding in terms of monitoring information required, the CEO said she actually worked harder on reports to them because of the strong relationship.

The CEO commended the significant initiative taken by the Foundation in funding a regional Mind worker (employed by national Mind) to help local Minds learn from each other, share best practice and develop new opportunities for shared work, etc. This was a unique regional post and led directly to work with offenders (in custody, courts and prisons) funded by the Esmée Fairbairn Foundation and the Henry Smith Charity.

The CEO also went on a 10-day leadership and management programme funded by the Foundation with other CEOs from their grantees which she found very rewarding. She felt particular strengths of the Foundation are:

- The honest and supportive way it engages with grantees
- Its strong sectoral and regional knowledge and understanding
- It is networked and happy to make connections and take regional initiatives
- It is challenging in the best sense
- Grants Plus provides very good support, and to a level which really makes a difference
- It is interested in developing capacity within organisations and sectors, whereas many funders are only interested in relatively narrow areas of work.

4. Reflections on Northern Rock Foundation's approach and some implications and challenges

'They have realistic expectations of what is achievable and this is influenced by their knowledge of the issues, area and locale. They try to achieve change.'

Strengths of Northern Rock Foundation's approach

Building on the hallmarks in Section Three, it seems to us that the Foundation's approach has a number of compelling strengths, some of which we highlight below:

- **They prioritise the issue rather than simply the organisation.** This informs how they work with people and how they use their networks; and how they use all their resources flexibly (a "whole-asset approach"), unbound by many of the less helpful conventions of grant making.
- **They understand that complex issues involve factors and parties outside their control and that their own role is one of many in achieving change, and that sustained change needs time.** This informs how they nurture and use a wide range of relationships and players with different powers and skills; and how they adjust to the realities on the ground. They understand that to make a dent in an issue involves horizontal and vertical relationships as well as money; and that serious change requires a long-term commitment.
- **They do their homework, but don't stop learning once the work begins.** The Foundation keeps learning and adjusting as the work develops, because the object is to achieve change rather than simply to test a theory. But it is not just external learning about issues and the way organisations work on them, it is also how they are tackling things themselves: they are a thinking and a learning organisation.

- **They have allowed staff to develop as “expert generalists”, with depth as well as breadth in their knowledge and experience.** Staff have been encouraged to develop sectoral experience and expertise, doing the preparatory work, making the contacts and connections that enable and deepen learning “on the job”. Staff have then been given the freedom and responsibility to use it within the discipline of a strong ethos and a local and sectoral accountability to those they work with. They also employed staff with a strong background in the VCS and a familiarity with the communities that the Foundation sought to help: they were well grounded in the real world of grantees.
- **The way they relate to grantees and others is fundamental.** They practise long-term relationships which embody both high trust and high expectations; and control risk through relationships rather than process. Their practice encourages honesty, from which everybody learns. And grantees feel they are on their side.
- **They made some good strategic choices early on** which seemed to reflect a sound knowledge of the issues, the region and the need/potential for change. And they demonstrated a willingness to work in sectors or on issues which were “off the radar” or underfunded.
- **They have shone a light into dark places and enabled connections to build capacity through research, conferences, seminars, etc.** The Foundation's publications and research represent an impressive resource, developed over time through creative relationships with academic and other researchers, which has widened and deepened knowledge and awareness in different sectors for a range of key players (public and voluntary sector). They have also helped people and organisations connect through fora, conferences, seminars, etc, in a way which very few funders do. In essence, they have been thoughtful about what they are doing, its implications and how to work more effectively.

Many of these strengths make perfect sense for a substantial regional funder (itself an unusual beast) with an ambition to make a real difference to the communities it serves. Networks of relationships could be built and sustained because the Foundation was prospectively a significant part of the funding landscape for the indefinite future. Its regional commitment was unconditional and long term, unlike national funders who can take their money away at short notice. And for the Foundation itself, there was a natural interest in capacity building and taking the long view on issues and sectors, because they would be part of the future they were helping to create. They would not, like national funders, shift their focus to another part of the country, or a different set of communities. To this extent, they have had much more in common with charities and statutory agencies whose accountability to local communities is simply a fact of life. It gives an underlying seriousness and sense of responsibility which grant making, in its more episodic practices, can sometimes lack.

Part of the distinctiveness of the Foundation has been to combine the best of both a generalist funder and a specialist funder – generalist in the sense that their programmes have had considerable breadth, specialist in their attachment to particular sectors and issues. They have known how to value and support good work alongside their more strategic grants for the purpose of systemic change. They have applied both pragmatism and expertise and become adept at the tactics of enabling change through different channels, using research, for example, as a tool to strengthen the arm of statutory services in bidding for new funding.

Perhaps the most interesting and significant element of the Foundation's package is the space and authority given to Programme Managers to get out and about; to build their own expertise and experience; to nurture relationships and networks; and to have a real ownership and responsibility for shaping their programmes

and who is funded. This has made it possible for relationships with grantees to be handled in a personal (and professional) way rather than framing them within administrative and transactional processes.

Of course the level of engagement varies between grantees, and not all want or need a high level of engagement. But for those who do, and where this is best for both parties, the time and space has been there. It was quite evident from our conversations with grantees that, for them at least, this level of engagement ups their game: they want to give of their creative and operational best. It is something many grant makers (Trustees and staff) aspire to, but find it hard to deliver because, like Gulliver in Lilliput, they have tethered themselves to elaborate processes which simply do not leave the space and time to be very engaged.

The space for this style of relational funding also offers a potentially much better way of handling opportunity and risk in an increasingly uncertain world, through encouraging honesty and supplementing information from formal reports with intelligence from the grapevine. This seems more likely to produce timely information than relying purely on paper processes which inevitably gather out-of-date data.

All this is part of what one Programme Manager called '*resourcing grant making*', recognising the need to be doing your homework, building relationships, getting to grips with operating environments and also learning, as well as making decisions about the allocation of funds.

Challenges of Northern Rock Foundation's approach

There are, however, some risks in all of this. Giving Programme Managers so much personal authority can risk the creation of fiefdoms, or favouritism. Whilst we saw no evidence of this, one has occasionally seen it elsewhere. It can also

(and perhaps did) make it harder for Trustees to decide on a change of direction when staff have so much invested in current programmes and specialisms.

The role of Trustees becomes all the more important here, both to champion strategy and counterpoint the skills and experience of the senior executive. The composition of Trustees should in some measure reflect those twin responsibilities, within a proper balance of other skills and experience – this makes for the right kind of creative tension. Programme Managers have certainly felt robustly challenged by the Foundation’s Trustees, but in another setting one might expect to see more voluntary sector experience within the Board. In time, if the Foundation had a longer life, one can imagine that there might well have been changes in governance to strengthen the involvement and ownership of the Trustees.

The Foundation is unusual in having grant decisions taken at the full Board, and in not having advisory panels, or their equivalent. In other foundations, we have seen how internal expertise and external accountabilities can be reinforced with other, diverse voices and sources of advice. This, again, is something that might have been addressed over time.

One of the risks of the Foundation’s premium on trust is that trust can be abused. It would be surprising if this has not happened on occasions and, indeed, it was suggested to us that this was possibly the case in the Domestic Violence Programme (from which many lessons were learned). However, if trust helps most people to raise their game, the dividend is much higher than any losses from the few who might abuse the trust placed in them. And, for the Foundation, the trust placed in grantees was an expression of some of the fundamental principles which shaped and guided their approach.

Another risk of the Foundation's approach has been a bias towards the more developed areas of the region, where the local infrastructure provides more potential for enabling change. The Foundation's staff and Trustees have debated on many occasions how to remedy the "cold spots" of the region, where work and engagement have been more difficult. This would have been a high priority had the Foundation continued to be a large regional funder, possibly trying different approaches. It is a problem with which many funders, national and regional, contend. All funders need regularly to review the impact of their grant-making approach to see whether there are unintended outcomes, such as geographical gaps, which affect the overall achievement of aims. It should be noted that the Foundation has more recently put in place impact and outcomes evaluations, building on regular programme reviews, in an attempt to address this issue.

Had the Foundation had a longer life in prospect, it would have continued to develop, and no doubt changes would have occurred in priorities and personnel, as well as to their funding practice in response to changing circumstances. To that extent, the approach we have reviewed has not become a model, in the monumental sense, but is the way they have done things so far.

However, there is undoubtedly much that we would expect to have seen retained because it has grown out of the DNA and ethos of the Foundation, which we would summarise as follows:

- Keeping a focus on the problem
- Being clear about and sticking to purpose
- Funding for change
- Handling risk sensibly (and tolerating failure)
- Having a degree of humility
- Recognising power and its limitations.

5. Learning for other funders

‘They could sometimes be seen as interfering buggers but they always tried to take initiatives for the greater good.’

The Foundation’s approach has been specific to, and grown out of, the opportunity set it had as a large regional funder; the ethos it developed under the leadership of Fiona Ellis and previous Chairs of Trustees; and the work of Penny Wilkinson, senior staff and Trustees to develop an evaluation framework to assess the impact of the Foundation’s work.³

However, there is much that we think other funders can learn from and we conclude this analysis of the Foundation’s funding approach with five learning points for other trusts and foundations.

1. **Influencing policy**
2. **Flexible funding**
3. **Funding in collaboration**
4. **Keeping a strong core**
5. **Exercising judgements**

³ The Foundation is involved in the Inspiring Impact programme and has signed up to its principles. It has published an *Interim Impact Evaluation* (2012) to understand and describe the impact the Foundation is having on the sector and on the organisations it is working to support; and a companion report, *Public Value Research* (2012), to explore the public value generated by the Foundation. These reports and details of Inspiring Impact can be found on its website.

Influencing policy

We reiterate the comment made to us in a meeting with the Programme Managers that if a funder is interested in policy, they need to consider where they will get their evidence from, and how they will avoid cherry-picking the *'good and easy-to-fund charities'*, possibly missing the more effective triggers of change. Following others on the assumption that they have done the research is no substitute for doing your own research and becoming knowledgeable on issues you decide to work on.

This might also extend to addressing issues over much longer time frames than a conventional three-year grant. This will give time to build knowledge and relationships and allow change to happen over more realistic periods, accepting that there will be periods when maybe nothing much can happen but where you will be well positioned to contribute when the time is ripe.

Flexible funding

The Foundation's practice of *'focusing on the problem'* and, linked to that, their commitment to *'managing risk through relationships not systems'* feels significant. Our observation is that this meant that Programme Managers were not constrained by an arbitrary set of rules around, for example, duration of funding or reporting requirements. Differentiated arrangements were put in place according to what seemed most appropriate in relation to the problem being tackled or task being undertaken, with the emphasis on letting organisations set their own objectives, not imposing them.

Other funders might want to consider the possible benefits of being less encumbered by unnecessary and restrictive rules and, linked to this, how they can create the space for more engaged relationships with grantees and a more

flexible approach to funding. Approaches which frame relationships primarily within terms of administrative process and “outcomes promised and delivered” may be inherently riskier and less productive than relationships based on knowledge and trust in a progressively more unstable climate. And more flexible funding seems much more likely to help grantees manage the unexpected than restricted funding – other support might include the kind of leadership training the Foundation provided. Whilst we know from IVAR’s own earlier research in this area that some foundations already provide support in addition to grants, we would suggest that funders consider using whatever means possible to strengthen voluntary organisations that are trying to address complex social problems. This emphasis on utilising the full range of a foundation’s assets to support organisations in the pursuit of their own goals may be most appropriate to funders interested in achieving social change.

Funding in collaboration

Funders could consider whether to develop place-based or specialist sector funding and what might be needed to make it work, in terms of a local or expert partner who can bring a depth of local knowledge and breadth of networks and the ability to identify less well-known organisations which might be more effective than better-known peers. This can avert the danger of parachuting in or imposing strategies from outside that risk being at odds with the reality on the ground. Current examples of funder collaborations – such as the Child Sexual Exploitation Funders Alliance or Changing Minds – demonstrate the potential for funders to achieve both depth and breadth without necessarily needing their own regional base.

Keeping a strong core

Although Programme Managers were given a great deal of licence and freedom, their work was shaped and held by a strong sense of the “whole”. This was, in effect, a set of values and principles that became a common lens through which decisions were made, similar to what we have observed in some faith-based and family foundations. Without this strong core, grant making can become disparate and incoherent. Such values and principles need to be shaped, shared and understood at all levels and reviewed and renewed as circumstances and people change.

Exercising judgements

Finally, we were struck by this quote from one of the Programme Managers: *'We never sought or pretended to be fair'*. For the Foundation, the challenge was different: how can judgements about who, what and where to invest in be as grounded, informed and legitimate as possible? That commitment to a deep integrity of grant making has required engagement, relationship-building (recognising the importance of face-to-face contact for both grant holders and grants staff) and patience. For the many trusts and foundations that try to manage the inherent unfairness of grant making by adopting processes (such as scoring) that have the veneer of fairness, there is an important lesson here.

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Appendix One: List of interviewees

Alastair Balls, Northern Rock Foundation

Louise Telford, Northern Rock Foundation

Penny Vowles, Northern Rock Foundation

Richard Walton, Northern Rock Foundation

Cullagh Warnock, Northern Rock Foundation

Diana Barran, CAADA (Co-ordinated Action Against Domestic Abuse)

Chris Batten, Francis C Scott Trust

Sioned Churchill, Trust for London

Lindsay Cross, WERS (West End Refugee Service)

Jo Curry, VONNE (Voluntary Organisations' Network North East)

Dilys Davey, Arch NE (Abuse Rape Counselling Help North East)

Peter Deans, Independent consultant

Professor Catherine Donovan, University of Sunderland

Gilly Green, Comic Relief

Emma Howitt, Middlesbrough & Stockton Mind

Kathleen Miles, Mind

Helen Storey, CROPT (Cumbria Reducing Offending Partnership Trust)

Hannah Underwood, The Key

Rob Williamson, Community Foundation Tyne & Wear and Northumberland

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