Exploring approaches to assessing the impact of unrestricted funding

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Authorship and acknowledgements

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Executive summary

Purpose of the report

The purpose of this report is to explore how funders assess the impact of unrestricted grants. It seeks to address the research question: **How do funders monitor and assess the impact of unrestricted grants, and what successes and challenges have they encountered?**

The Co-op Foundation commissioned the Institute for Voluntary Action Research (IVAR) to write this report because it is committed to making more long-term unrestricted grants. It wanted to understand how other similar funders approached the question of assessing the impact of such grants and learn from this. Recognising that funder practice in this area was still embryonic and that there were few conceptual frameworks available to guide practice, the Co-op Foundation wanted to share this report in its entirety so that it could help other funders grappling with the same issue.

Research methods

The research commenced with a desk review of academic and grey literature on the topic of unrestricted funding and assessing impact practice. Nine funders were then interviewed to explore the context and purpose of their approach to assessing the impact of unrestricted funding and the methods they use. Documents published by funders were also reviewed for relevant content. Data analysis was performed by thematic analysis.

Findings

A framework for assessing the impact of unrestricted funding

The research found that funders used a variety of different approaches to assessing the impact of unrestricted funding. We have categorised these into five distinct approaches to form a provisional framework. The framework highlights the key questions funders typically ask themselves as part of their chosen approach:

1. **Organisational development:** Are we helping the organisations we support to get stronger, and how can we improve our contribution?
2. **Outcomes oriented:** Is our funding helping organisations to deliver positive outcomes for their communities?
3. **Systemic change:** Are we seeing progress being made towards our long-term change goals, and where can we exert positive influence?
4. **Funder performance:** Does the way we fund grantees support them to deliver their best work, or could we do better?
5. **Adaptation oriented:** Do we understand the changing context for funded charities, and are we adapting quickly enough to better support them?

The five approaches are not mutually exclusive. Some funders pursued more than one approach. Funder performance impact was commonly pursued alongside organisational development or systemic change impact.

We hope that this framework will prove useful to funders in reaching a clear understanding of what 'impact' means to them, analysing what they need to know to make judgements about this impact, and developing their approach.

Benefits and challenges

We found benefits in funders' approaches to assessing the impact of unrestricted grants that have long been priorities for funded organisations. It is also clear, however, that funders are forging a relatively new path and recognise the need to be alert to challenges and adjust their practice in the light of experience. Five key benefits and challenges stand out:

- **Reducing the reporting burden on funded organisations:** Funders found that their impact practices usually allowed them to minimise the reporting demands they place on funded organisations.

- **Placing a greater focus on conversation:** Funders are more likely to hold annual catch-up conversations with their grantees because they are interested in gathering qualitative information to use in their own impact assessments.

- **Developing trust:** Funders found that their impact practices facilitated stronger and more trusting relationships with funded organisations.

- **Rethinking timeframes:** Funders were more inclined to consider longer timeframes for impact assessment, moving beyond annual cycles to consider longer-term impact. That said, the shift towards longer timeframes was challenging when so many reporting norms are based on annual cycles.

- **Objectivity and rigour**: Funders were concerned about how power dynamics and stronger relationships with funded organisations might have a distorting effect on their collection and analysis of data, and were taking actions to mitigate these risks.

Analysis and reflections

We end with five reflections drawn from this study, other IVAR research, and the wider experience of both funded organisations and the Open and Trusting community of funders:

- **Using strategy to drive impact assessment practice:** In addressing the question: *'What does impact look like and how do we assess it?',* funders must reflect on their strategic purpose, values and priorities and make that judgement accordingly.

- **Adopting a strategic learning approach:** Impact assessment practices that focus on forward-looking 'what next?' questions help funders take actions that will increase their likelihood of success.

- **Championing impact as a collective achievement:** Funders who engage with grantees as equal partners are more likely to build collective wisdom to drive change.

- **Taking a fresh look at outcomes:** Giving unrestricted grants allows funders to look for more nuanced and flexible ways to judge impact, moving away from conventional approaches to setting and measuring outcomes that often ignore complexity and fail to generate meaningful change.

- **Entrenching reflective practice:** In a complex social world, simple measures can rarely capture impact. Therefore, the ability to surface subjectivities in the interpretation of qualitative data is necessary for understanding impact, generating learning and making informed judgements about future activity.

Introduction

Grappling with a new approach

In 2022, the Co-op Foundation launched a new strategy, Building Communities of the Future Together.[1] In it, the Foundation set out its ambition to deliver grant-making differently, based on bold and co-operative funding principles. Through this approach, the Foundation now provides flexible grants that show respect and trust for funded partners. The Co-op Foundation's underlying assumption is that relational, longer-term, participatory approaches, with flexibility built-in, will deliver a stronger impact.

As part of this strategy, the Co-op Foundation launched the Future Communities Fund, which sought to make progress on two strategic priorities: enabling youth activism and sharing power, and developing diverse, equitable and inclusive communities. The funding awarded through this programme was multi-year and unrestricted. In the first round of funding in 2023, the Foundation awarded grants of up to £30,000 annually for up to five years to 13 organisations with annual turnovers of less than £250,000.[2]

The Co-op Foundation's approach to learning is aligned with their co-operative values which in practice means learning in collaboration with funded organisations rather than imposing top-down evaluation methods on them. With this in mind, the Foundation appointed IVAR to be its Learning Partner. IVAR was tasked with working with the Foundation and funded partners to co-create a learning and evaluation framework that is proportionate and useful for all parties and will generate an understanding of the programme's impact. A key challenge was to test the Foundation's initial assumption that giving multi-year unrestricted funding can be transformational to communities.

Unrestricted funding and impact

Unrestricted funding sits at the heart of efforts to create more equitable relationships between funders and charities in the collective endeavour towards greater social impact. The Co-op Foundation's approach aligns with a growing body of funders exploring more flexible funding approaches:

> *'Long-term flexible funding allows organizations to allocate resources where they are most needed, making room for innovation, emergence, and impact.'* [3]

In the UK, almost 140 funders have joined IVAR's Open and Trusting Grant-making community, whose commitments include giving unrestricted grants wherever they can. However, despite a growing interest in *'enabling funded organisations to have greater control over their own spending'*,[4] most funders continue to favour restricted grants.[5]

We know that 'understanding impact' is a significant concern for funders when considering a switch to unrestricted grant-making. Restricted grants feel safe and familiar. By paying

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[1] Co-op Foundation, 2022
[2] Co-op Foundation, 2023
[3] Trust-based Philanthropy Project (no date)
[4] Cairns et al., 2021
[5] Buteau et al., 2020; Buteau et al., 2023

for specific activities, funders may feel justified in claiming a causal link between 'our grant' and 'these specific outcomes' − and using this link both to hold charities to account for delivery and to evidence their own impact as a funder. But the price paid for this sense of security is too high. Charities have long argued that *'surviving on a diet of restricted project funding'* inhibits their work, distorts their accountability to communities and causes, and weakens them as organisations.[6] Research increasingly supports this view, evidencing the harms to charity effectiveness inherent in restricted funding models and the unrealised value and potential for unrestricted funding in increasing social impact.[7] Unrestricted funding enables charities to make better use of their resources, to be more forward-looking and to achieve better outcomes in a complex and changing environment: *'Ultimately it means that we achieve more, help more people, and make more of a difference'.*[8]

Far from *'giving up on impact'*, funders who make unrestricted grants are bringing new energy to the debate on what impact looks like and whose job it is to define, monitor and assess it. Instead of imposing conditions and constraints, they respect the knowledge and expertise that charities bring to achieving the best possible impact for the communities and causes they serve. And they are finding other ways to make robust judgements about impact, using what they learn to develop their own funding practice.

How this research helps

The Co-op Foundation is an evidence-based organisation. As part of developing their learning and impact approach, they were interested in how funders with more experience in giving unrestricted funding have thought about and, in practice, pursued assessing impact. Consequently, IVAR's work as a learning partner for the Future Communities Fund started with conducting research to address the question: **How do funders monitor and assess the impact of unrestricted grants, and what successes and challenges have they encountered?**

As this report explains, funder practices in assessing the impact of unrestricted grants are still embryonic. Few conceptual frameworks are available to help funders, many of whom are trying new approaches for the first time. However, funders who give unrestricted grants are successfully finding ways to monitor and assess the impact of unrestricted grants. By illuminating and exploring current practices, this report aims to help the Co-op Foundation and other like-minded funders think about how they can assess the impact of unrestricted grants.

In June 2024, IVAR published a report summarising the findings of this research.[9] We received a large and positive response, which led us to produce this more detailed version, including some closing reflections from the Co-op Foundation on what this research has meant and how it now approaches impact assessment.

We hope that this report will help more funders to make the move towards unrestricted funding – and to do it soon.

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[6] Cairns and Firth, 2023
[7] Mills, 2023; Wiepking and de Wit, 2023
[8] Cairns and Firth, 2023
[9] Mills, Firth and Cairns, 2024

Methodology

Literature review

We began our study with a review of academic and grey literature on the topic of unrestricted funding and assessing impact practice, with a particular focus on literature that either advocated for, or described how, funders assess the impact of unrestricted grants. To identify relevant material, we initially sought literature in the following ways:

- Using the Web of Science database to search voluntary sector academic journals for relevant articles.
- Identifying relevant papers and reports from the bibliographies of the articles we read.
- Using Google Scholar to identify publications that had cited relevant articles.
- Using Google to search for reports produced outside of traditional academic publishing and distribution channels, such as reports by consultants and research agencies.

As we wanted to capture global perspectives, we varied our database search terms to capture different national terminologies (e.g. searching for 'general operating support' to cover North American examples of unrestricted grant-making).

Empirical research

To help answer the research question, we gathered and analysed data on assessing the impact practices of funders who provided unrestricted grants.

We used the following data collection methods:

Desk-based research

We collated documents published by funders describing how they assess the impact of unrestricted grants, including websites, annual reports, and impact reports.

Semi-structured interviews

We conducted semi-structured research interviews with the representatives of nine grant-making charitable trusts and foundations. Interviews were held online between December 2023 and January 2024, and typically lasted between 45 and 60 minutes. Participation in the interviews was voluntary, with consent obtained for reporting data collected in anonymised form.

The main lines of inquiry during the interview were:

- What unrestricted grants did the funder make?
- What frameworks did the funder use for assessing the impact of unrestricted grants?
- What data did they collect and analyse to assess the impact of unrestricted grants?
- What learning did they gain from their assessments?
- In assessing the impact of your organisation's unrestricted grants, what had they done well and what had been successful?
- What had they found most challenging in assessing the impact of unrestricted grants? How had they overcome these challenges and what did they need to get better at?

The anonymised details of funders interviewed are summarised in the table below. These interviewees were selected from the funders who have signed up to IVAR's eight Open and Trusting Grant-making commitments. They were purposefully chosen because they provided unrestricted funding for the majority, if not all, of their grants.

Funder	Foundation Type[10]	Role of Interviewee	Annual grant expenditure
A	General Grantmaker	Director of Learning	>£20m
B	Corporate Foundation	Research and Learning Manager	£10-20m
C	General Grantmaker	Trust Manager	<£1m
D	Family Foundation	Director	>£20m
E	General Grantmaker	Director of Grants	£1-10m
F	General Grantmaker	Executive Director	<£1m
G	General Grantmaker	Head of Giving	£10-20m
H	Fundraising Grantmaker	Chief Executive	£1-10m
I	Fundraising Grantmaker	Chief Executive	£1-10m

Data was analysed using thematic analysis to identify recurring patterns or themes. The analysis allowed us to conceptualise five different approaches to assessing impact. It also helped us to identify common benefits and challenges to assessing the impact of unrestricted grants.

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[10] Foundations were categorised according to the typology of grantmakers used by 360Giving.

A note on terminology

What is unrestricted funding?
The terms 'unrestricted funding' and 'restricted funding' are used throughout this report. For clarity, these terms refer to:

1. **Unrestricted funding** – grants that can be '*spent or applied at the discretion of the trustees to further any of the charity's purposes'*.[11] These grants do not come with explicit and formal conditions on how the funding should be spent.

2. **Restricted funding** – grants that must be used for a specific purpose, such as the delivery of a particular project or defined set of activities (project grants), or to pay for a specific element of overheads such as rental costs or the director's salary (overhead/core cost grants).

What is impact?
Debates about impact in philanthropy are too often derailed by the many different definitions and expectations that funders bring to the table:

> *'Everyone cares about making a difference. but foundations are far from uniform in their understanding of what "impact" looks like, whose impact they are judging, and what they want to know about it.'*[12]

In this review, we use **'impact'** in its formal sense, meaning *'the sustained difference that charity interventions make to the lives of individuals and society'*.[13]

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[11] Joint SORP-Making Body, 2019
[12] Cairns and Mason, 2021
[13] Chaidali et al., 2022

Literature review

A plurality of approaches

Despite a growing interest in unrestricted grant-making over the past decade, we found few studies investigating how funders monitor and assess the impact of unrestricted grants. That said, there is sufficient evidence to indicate a plurality of approaches, with theory and practice coalescing around four different impact types: organisational development; outcomes oriented; systemic change; and funder performance. We use these different approaches as headings below.

Organisational development

Grantmakers for Effective Organizations (GEO) argued that assessing organisational development was the most appropriate way to understand the impact of unrestricted grants.[14] GEO recommended that funders conduct vigorous due diligence on potential grant recipients and then 'step out of the way once the grant is made', confident that the funded organisation would be effective at achieving its mission. Funders could then concentrate on understanding how organisations developed while in receipt of funding.

The approach proposed by GEO is consistent with a growing body of evidence showing how unrestricted funding benefits recipient organisations. Funders themselves have yet to make a significant contribution to the literature as part of their ongoing impact assessment practice. However, IVAR's recent review of the rationale for unrestricted funding considered findings from various one-off research reports and evaluations which identified multiple benefits, including: improved strategic planning and decision-making; better organisational infrastructure; improved financial health; improved human resource management; greater creativity and innovation; and enhanced adaptability.[15] Although framed as benefits to organisations, all these improvements also make a difference in communities supported by those organisations. This is not simply because stronger organisations do better work. Evidence also indicates that unrestricted funding creates more space for organisations to make strategic decisions based on the priorities of the people directly affected by their work, rather than being funder-led.[16]

In line with the identified benefits, European academics have proposed a conceptual framework for understanding how unrestricted funding improves organisational capacity and effectiveness.[17] Their model suggests funders should focus on measuring seven key organisational capacities: financial management, operational capacity, staff management, adaptive capacity, strategic planning, mission orientation, and innovation. GEO similarly suggested that funders should use organisational capacity assessment tools to monitor how organisations developed while receiving unrestricted funding.[18] The Ford Foundation's Building Institutions and Networks (BUILD) initiative, which provided highly flexible multi-year funding to social justice organisations, also developed and tested a theory of change (ToC) to show how their funding approach strengthened organisations, leading to 'organisational resilience' and 'mission impacts'. Their ToC also provides a

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[14] GEO, 2022
[15] Mills, 2023
[16] Cairns and Firth, 2023
[17] Wiepking and de Wit, 2023
[18] GEO, 2022

framework other funders can use when they look to assess the impact of unrestricted funding on organisations.[19]

However, there is limited evidence of the extent to which these models are useful to funders and the organisations they support. One funder in the UK has shared informally that they have adopted and adapted the BUILD model to assess the impact of their unrestricted funding to small charities. And, in the US, a study of Pennsylvanian grantmakers exploring how funders assess the organisational development impact of unrestricted grants found that most unrestricted grantmakers used qualitative experiential feedback directly from funded organisations to understand improvements in organisational performance and health.[20]

Outcomes oriented

Assessing programme, individual and community outcomes is the approach most commonly used in restricted grant-making. These outcomes are traditionally seen by many funders as a straightforward mechanism for demonstrating impact that is directly attributable to their funding. However, unrestricted funding shifts the focus of impact assessment from specific programme or project outcomes to the organisation's overall mission-related achievements.[21] While this presents challenges, it has been suggested that making an unrestricted contribution gives funders a valid partial claim over all the programme, individual and community outcomes achieved by funded organisations .[22]

In practice, the notion of a straight line between 'our money' and 'this impact' is at odds with the complex environment for social change and the many influences that play their part in what is achieved. An increasingly popular strand of thought deems as naive the assumption that 'outcomes' are within the control of any one organisation and that there is an uncomplicated, linear and direct connection between the input of money, outputs, outcomes and impact.[23]

There are clearly different viewpoints on whether it is viable for funders who give unrestricted funding to lay claim to the individual and community outcomes achieved by funded organisations. This debate is not quickly resolved, especially given a lack of literature exploring how such an approach works in practice. This may be because funders who give unrestricted funding are more comfortable with the concept of social change as a co-operative effort and, in assessing their own impact, are concerned with 'contribution' rather than 'attribution'. As yet, however, there is little research evidence to draw on to help funders who give unrestricted funding in thinking about the role that analysis of outcomes plays in assessing impact in this more collaborative and fluid funding structure.

Systemic change

Systemic change work involves pursuing lasting change by altering underlying structures and supporting mechanisms that make a system behave in a particular way.[24] By supporting organisations working within particular systems, or in defined geographic areas

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[19] NIRAS, 2020 & 2022
[20] Scherer, 2016
[21] GEO, 2022
[22] TCC Group, 2017, Kail, 2016
[23] Lowe & Plimmer, 2019; Lowe, 2023
[24] Meadows, 2008

(often called 'place-based funding'), funders can contribute to changing how those systems work. Unrestricted funding is considered highly suitable for systemic change work.[25]

Systemic change work has profound implications for how funders think about impact because it is:

- **Collaborative:** Funders cannot control all the elements of a system or claim for itself the impact of any systemic change.[26] Given the complexity of most systems, systemic change is only possible through collective action.[27]
- **A long-term endeavour**: In systemic change programmes, including place-based funding programmes, tangible changes are only likely to be discernible over the long term.[28] It usually 'takes time for community-based systems-change efforts to take root, grow, and bear fruit'.[29] Measuring progress towards systemic and long-term change goals is not easy.[30]
- **Highly complex**: Systems and place-based initiatives aim to improve multiple and interrelated outcomes. Operating at the level of a system or a distinct community opens the possibility of assessing impact at a macro level using quantitative data. However, developing a set of tools and metrics remains a challenge because systemic change work is complex and messy.[31] Adopting a flexible and community-led approach may also work against pre-judging meaningful indicators of impact.[32] Given the challenges involved, funders often commission independent external agencies to help them understand systemic change.[33] These evaluations usually draw on a range of quantitative and qualitative data and consider multiple stakeholder perspectives.

Funder performance

In their guide to evaluating the impact of unrestricted grants, GEO recommended seeking feedback from grant recipients on funder performance.[34] This reflects the approach advanced by the Center for Effective Philanthropy (CEP), an early advocate for funder self-assessment.[35] CEP argued that the social benefit derived from a funder's resources depended not only on the performance of grantees but on their own performance as a funder. Asking questions about how the grant-making process and relationships were working and how they could be improved opened the possibility of creating a healthier funding environment.

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[25] Rutsch, 2019; Wietzman et al., 2023

[26] Rutsch, 2019

[27] Foster et al., 2021; Wietzman et al., 2023

[28] IVAR, 2016

[29] Foster et al., 2021 p. 19

[30] Junge et al., 2017

[31] Rutsch, 2019

[32] Weitzman et al., 2023

[33] Walker, 2018; Foster et al., 2021; Weitzman et al., 2023

[34] GEO, 2014

[35] Buchanan et al., 2005

Many funders, including grantmakers of restricted and unrestricted funding, now capture feedback from grantees. The most popular mechanism appears to be an annual survey of funded organisations. For example, CEP's Grantee and Applicant Perception Report is now used by over 300 funders, many of whom provide unrestricted grants. It is now fairly common for funders to publish the results from their grantee surveys, together with a statement of actions they will take to make improvements.

Conceptual frameworks

Although many approaches to assessing the impact of unrestricted grants are evident in the literature, frameworks to conceptualise them are thin on the ground. The Conservation Company (TCC) Group, a firm of consultants operating in the US social sector, has developed a framework for evaluating unrestricted grants.[36] Its Capturing General Operating Support Effectiveness framework comprises four impact categories: 1) grantee programme effectiveness; 2) grantee organisational development; 3) funder mission achievement; and 4) system strengthening. Although the framework provides a helpful conceptualisation of the types of impact and suggests a range of sample indicators for each category, it is not grounded in an analysis of funders' actual practice and remains a purely theoretical construct.

In contrast, the Ford Foundation's Theory of Change on the impact of flexible funding is grounded in the experience of its BUILD programme grantees.[37] This Theory of Change argues that flexible funding leads to institutional strengthening, organisational resilience and mission impacts. There are similarities with the TCC Group's framework: institutional strengthening and organisational resilience are conceptually similar to grantee organisational development; near-term programme outcome impacts are similar to grantee programme effectiveness; and longer-term 'mission impacts' are similar to systemic strengthening. That said, the BUILD initiative is a single case study and one whose funder inputs extend beyond just unrestricted funding to include multi-year funding and opportunities for peer learning.

In the next section of this report, we aim to build on these frameworks by exploring how a selection of UK funders actually go about assessing the impact of their unrestricted grants and attempt to develop a conceptual framework that encompasses different approaches.

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[36] TCC Group, 2017
[37] NIRAS, 2022

Research findings

Our literature review identified four approaches funders take to monitoring and assessing the impact of unrestricted funding: organisational development, outcomes oriented, systemic change, and funder performance. These four impact types were also found in our interviews with funders. However, our interviews also identified a further category, which we have termed 'adaption oriented'.

We begin by exploring how our interviewees characterise the context and purpose of their approach and the methods they use. Although the number of interviews possible within the scope of this study is limited, our findings are drawn from in-depth conversations with nine funders who give unrestricted funding and have thought deeply about their approach to impact assessment.

Funder approaches to monitoring and assessment of unrestricted funding

1. Organisational development

Our research identified two unrestricted grantmakers, Funders B and H, who were principally interested in understanding how their funding helped organisations to change and develop. Notably, these funders tended to provide multi-year unrestricted grants to small charities and supplement their financial contribution with organisational capacity-building support. Funder I was also interested in organisational development impact, although this was secondary to its primary concern with outcomes oriented impact.

Funders interested in organisational development described how they typically perform a lot of analysis on organisations before awarding grants. This due diligence reassures them that the organisations they support will deliver outcomes and impact. By concentrating their assessments of organisational effectiveness upfront, the funders can then concentrate on supporting organisations to develop their capacity without worrying too much about specific programme, individual and community outcomes.

The funders have well-developed approaches to monitoring impact. Funder H focuses on transformational change for small charities. As part of the grant application process, they ask how an unrestricted grant will enable the organisation *'to grow, strengthen or become more efficient or resilient'.* Applicants are asked to identify key performance indicators (KPIs) for the change they expect to see, which the funder then uses to track performance throughout the grant. The funder also holds an annual check-in conversation with each organisation and collects other basic organisational data − such as annual income and number of beneficiaries reached. The funder's grant managers use these three distinct data sources to assess organisational development with a five-point scale. Together, these assessments enable the funder to judge how far its support is helping small charities to achieve *'transformational impact'.*

Funder B has a clear preference for using qualitative methods to assess organisational development impact. It sees limitations in using quantitative data to assess organisational development and collects only basic statistics, such as the number of people supported: *'While you could use organisational income as a measure of organisational development, what if a charity suddenly receives a large legacy?'.* Funder B uses an annual monitoring

form to gather structured, largely qualitative, information about: the financial position of the funded organisation; how the grant was used; the number of people supported and their changing needs; notable successes and challenges; and what extra help the organisation needed. Grant managers also hold and write up notes from mid-grant learning conversations with funded organisations. All this data is then passed to the Research and Learning Manager for analysis, using a number of tools, such as thematic analysis (widely used for analysing qualitative data in the social sciences) and MaxQDA software (used to code and analyse data systematically). This process enables Funder B to identify key trends about how funded organisations are changing.

Funder I monitored organisational development impact because they felt that organisational development was a key driver for organisations delivering outcomes to their service users and communities – *'we want the organisations we fund to become stronger, bigger and better'*. This funder selected organisations that were already delivering excellent outcomes for their communities and were looking to further improve and scale their work. The funder measured some organisational development outcome indicators such as income growth and the number of people supported. It also collected qualitative data on organisational development through periodic conversations between the grants manager and the grantee. These sources of information were then analysed to ensure that grantee organisations were moving in the right direction.

Despite their differences, the approaches described above have much in common. The funders developed monitoring processes designed to enable informed assessments of whether grantees were *'developing positively'*. To different degrees, they used mixed method approaches, blending some quantitative indicators of organisational performance with qualitative data analysis. Moreover, the funders combined data collection opportunities − especially the periodic catch-up meetings − with encouragement to grantees to identify any additional non-financial support they could provide. This helped to remind everyone of their shared focus on seeing the funded organisation develop and succeed.

2. Outcomes oriented

Impact assessment models are often highly linear, charting the sustained change that arises from a series of inputs (e.g. money, people and other resources), charitable activities, their measurable outputs (e.g. people helped, sessions run) and their outcomes (i.e. the real-world changes and benefits that result from services and activities). Although some of the funders interviewed collected routine output data to support their impact assessment, relatively few gave a prominent place to outcomes in these efforts.

Like the Co-op Foundation, most of the funders interviewed are active members of the Open and Trusting community,[38] working to develop a more equitable and collaborative relationship with funded organisations in support of the communities and causes they serve. Giving unrestricted funding is part of their commitment to being more Open and Trusting. In part, the relative lack of focus on outcome measurement reflects a response to its common usage in restricted funding, where it is often employed as a means of managing the performance of funded organisations rather than fostering mutual learning and development. The general view was that, while assessing impact through outcomes measurement might be a reasonable approach for a restricted grant paying for a distinct

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[38] https://www.ivar.org.uk/blog/open-and-trusting-grantmakers/

programme of activity, it wasn't for unrestricted grants. Funders giving unrestricted grants were deliberately breaking this link and thinking differently about impact assessment.

Funder E had explored the idea of claiming a share of all outcomes achieved by grantees proportionate to its share of their funding. However, it became clear that collecting and analysing outcome data across a diverse portfolio of grants was impossible because grantees used so many different outcome indicators and measured them in different ways (not least because of the specific reporting requirements of their many funders). Although the funder was in a position to impose the use of its own outcome indicators, it felt this ran contrary to the spirit of unrestricted grant-making.

Funder I was able to overcome the challenge of tracking what funded organisations were achieving by tightly defining what it was prepared to fund. The funder focused all its activity on achieving five outcomes, all of which were proven to be key determinants of lifelong community outcomes. All five outcomes were also very measurable, using metrics that are well-established in their sector. Grantees are selected because of their focus on one or more of these outcomes and their potential to develop and deliver greater impact. Every grantee then tracks its performance against the relevant outcome(s). The funder collects and analyses this data, benchmarking performance against the outcomes achieved by a group of similar organisations. Since its portfolio of grantees is small and highly targeted, and its funding is both unrestricted and long-term, this funder can pull together evidence that allows it to assess impact in terms of long-term outcomes for individuals.

3. Systemic change

Our research identified another group of grantmakers giving unrestricted funding who were principally interested in understanding how their funding contributed towards systemic change. These funders typically pursue ambitious goals and long-term outcomes around big systemic issues such as poverty and protecting the natural environment. They recognise that the scale of social and environmental change targeted is so large that their funding can only ever play a small part in achieving their aspirations.

Given their ambitious focus, funders interested in systemic change are principally concerned about long-term impact. They have seven-year and ten-year strategic plans, which reflect their understanding that systemic change takes time and requires a commitment to learning and adaptation over time.

Funder G's primary focus was on learning activities. Its Impact and Insights Framework asked one direct question about impact − *'What difference are we making?'* − alongside a set of core learning questions largely designed to increase the funder's understanding of what enables systemic change and to inform its judgement about future actions. These core questions are used to structure annual learning conversations with funded organisations. Conversations are mostly one-to-one, with a small number involving a group of similar grant recipients. Meeting notes written by grant managers serve as a key data source for learning. To this, the funder adds data from a periodic survey of funded organisations, including questions on how they are enabling change. Short annual monitoring reports are only used as a check before releasing annual payments, and not for impact assessment. The funder aims to capture information, both about what organisations are doing and what is happening in the wider operating environment and social landscape, using this data to understand what else it could do to advance change.

As this funder is in the early stages of implementing its new strategy, its approach to impact assessment is evolving, and it has not yet produced a summary analysis.

Funder A uses external evaluators to collate and analyse the data it collects and to assess progress. This evaluation process will be repeated every few years for each of the funder's priority issues and shared through *'whole issue impact reports'*. At the time of the interview, they had produced one such report. The independent evaluators can draw on three distinct data sources routinely used by the funder:

- Written reports submitted by funded organisations (which may be produced for others, e.g. the annual report and accounts or internal board report).
- Quantitative data submitted by funded organisations that record progress against three nominated outcomes. The funded organisations choose their own outcome indicators at the start of the grant, although the measurement indicators are usually well aligned with Funder A's own choice of long-term outcomes.
- Grant managers produce notes from annual structured learning conversations with funded organisations.

The evaluators build on this data through research interviews with the funder, funded organisations and other stakeholders. By assessing the broad range of data (most of which is qualitative), the evaluators aim to assess changes in policy and practice at a systems level and whether progress is being made on the targeted long-term outcomes.

4. Funder performance

Six of our interviewees – Funders A, B, F, G, H and I − were interested in assessing their own performance as a funder. They recognised that their funding practices directly affect the organisations they fund and shape the funding environment in which they operate, and that this impact could be harmful as well as positive. Moreover, they generally aspired to build open and trusting relationships with grantees. Most assess their own performance alongside our other impact types, although, for Funder F, this was their principal focus.

Funder F uses an overarching learning question − *'How can we be the best possible partner to groups and organisations?'* – which they principally address through end-of-year catch-up meetings with grantees. A standard schedule of learning questions is used to ensure a consistent collection of data that feeds into a learning framework. As well as questions about key organisational challenges and successes, the schedule includes action-oriented questions about how the funder can contribute to the future stability of grantees and what adaptations it should make to its grant-making model and future strategy. The notes are written by the grants manager and then analysed along with the other data collected from grantees' published reports, accounts, websites and social media. This enables the funder to build a body of evidence about how organisations are progressing that will shape its future actions. Where the Funder identifies issues or concerns about funded organisations, it aims to ensure any response is proportionate with its trust-based approach.

Other funders use a range of methods for obtaining feedback on their performance as a grantmaker. Some include questions about their performance in annual monitoring reports and review meetings. That said, most acknowledge that, however much they try to minimise the power imbalances, asking for direct feedback may not capture candid and critical views. Accordingly, five funders commissioned periodic surveys of grantees to

gather data on their perceptions, usually undertaken by a third-party research firm with data collected anonymously, maximising the chances of honest feedback. Views were typically sought on the funder's performance in relation to: application, reporting and evaluation processes; interactions and communications; understanding of grantees and the communities they serve; additional non-financial support; approach to diversity, equity and inclusion; and impact on organisations and communities. Funder I focused its attention on a net promoter score, measuring the extent to which grantees value their partnership and would recommend the funder to others. Surveys usually collect a mixture of quantitative and qualitative data, which allows funders to gain a rounded understanding of how grantees perceive them. They can then use this analysis to interrogate and improve their practices.

5. Adaptation oriented

Our interviews identified a cohort of funders – Funders C, D and E − who make unrestricted grants and are largely untroubled by questions of impact measurement. They are more interested in changes in the environment of the organisations they fund and how to adapt their practices to support them better. This is not to suggest that they don't care about making a difference. However, they do take the view that many attempts to measure impact – and especially impact across a portfolio of unrestricted grants – are implausible and/or unprofitable.

Funders who were more interested in adapting practices were largely unconvinced by other funders' efforts to measure what their grants had exclusively achieved. They argued that multiple factors bring about change: a funder's contribution is just one component – and often a small one when compared to the issues organisations seek to address, with uncontrollable events often determining whether or not hoped-for outcomes are achieved. In such circumstances, these funders saw insurmountable methodological challenges in measuring their impact. They felt that assuming a direct connection between money, outputs, outcomes and impact was implausible. As a consequence, impact cannot be measured in a scientifically rigorous way, and any efforts to do so will quickly crumble under serious scrutiny. Some also doubted whether quantitative indicators can encapsulate how the lives of individuals have changed, and that trying to do so was not meaningful.

Instead, these funders focused their efforts on carrying out extensive organisational analysis and due diligence when selecting the charities they support. Once a grant is made, they *'get out of the way'*, trusting that the chosen organisations will do good work and contribute to change. Indeed, they argue this is the essence of why unrestricted grant-making is effective: *'We maximise the probability of having impact by selecting good organisations and letting them get on with their work, rather than worrying about trying to measure impact'* (Funder E).

Although uninterested in attribution, these funders are actively engaged in improving their contribution. They dedicate time and resources to making sense of what is happening in the organisations and fields of work they support. They believe that grantee success depends on their ability to adapt to change and that funders must learn, reflect, adapt and change with them. Thus, impact is incremental and achieved by continuous learning and improvement.

Their monitoring practices are designed to be 'light touch' for reporting organisations. These funders generally ask for little or no tailored written reporting, relying on generic reports, such as the annual report and accounts, or reports produced for the funder organisations' own boards. They also hold periodic catch-up meetings with grantees – usually once a year. The information captured enables funders to develop an understanding of their grantees' work and to confirm that they remain a fundable proposition. One funder uses a balanced scorecard to provide structure to this analysis. However, the primary purpose of these meetings is to discuss *'big-picture stuff'* and critical developments in the field, and to identify ways in which the funder can support its grantees. The funders in this group argue that letting go of impact measurement helps organisations to be more open and honest, enabling funders to make better informed judgements about how to improve their contribution going forward.

Interviewees were quick to point out that their approach is contingent on the understanding and active support of trustees. Some also noted that, because impact measurement has become the normative approach, it felt *'a bit revolutionary'* to be taking a different path, leaving them open to challenge and critique. Being confident in their approach was, therefore, essential.

Benefits and challenges in monitoring and assessing the impact of unrestricted grants

Our interviews identified several perceived strengths in funders' approaches to monitoring and assessing the impact of unrestricted grants that have long been priorities for funded organisations. It is also clear, however, that these funders are forging a relatively new path and recognise the need to be alert to challenges and adjust their practice in the light of experience and rigorous analysis. Five key findings stand out:

1. Reducing the reporting burden on funded organisations

Funders are mindful of a duty to balance their data collection requirements against the reporting demands they place on funded organisations. They minimise the use of tailored reporting using − wherever possible − data already being collected by grantees, and annual and routine reports produced for others. Any special requirements are determined by mutual agreement. Most felt they had made good progress, not least because they had accepted responsibility for more of the work involved in gathering and recording data to meet their needs as funders.

2. Placing a greater focus on conversation

Almost all funders use annual catch-up conversations to gather qualitative information for their impact analysis or learning purposes. Having face-to-face conversations with funded organisations creates a two-way dialogue and helps to reorient the annual review process towards mutual learning. This was especially evident among funders pursuing organisational development or systemic change impact, or for those who are impact measurement sceptics, where the emphasis is on what was happening in the wider operating environment and how the funded organisation is adapting to it.

3. Developing trust

Funders found that their practices of assessing the impact of unrestricted funding supported stronger and more trusting relationships with funded organisations. They were learning more because organisations felt better understood and more supported – and more willing to share information. These benefits increase with security of funding agreements. Short-term funding or using annual review meetings as a trigger for releasing grant instalments may encourage funded organisations to 'paint a positive picture' for fear of jeopardising the next payment.

4. Rethinking timeframes

While all funders enquire once a year about progress, some are increasingly doubtful that annual cycles are appropriate for assessing impact. Funders interested in systemic change have the longest time horizons, recognising the need to *'stick with it'* if change is to be achieved. Funders interested in organisational development are similarly aware that organisational change takes time, and that three years may be a more reasonable timeframe for assessing impact. However, the shift to longer timeframes has not yet fully materialised because it feels challenging when so many reporting norms are based on annual cycles.

5. Looking for objectivity and rigour

Funders are concerned by the challenge of achieving consistency and objectivity in the collection and analysis of impact assessment data. Few collect tailored quantitative data, and many rely heavily on qualitative data drawn from conversations with funded organisations. Funders are apprehensive about how power dynamics and stronger relationships with funded organisations might have a distorting effect on their collection and analysis of data.

Actions funders take to minimise these risks include:

- Using impact frameworks and standardised interview questions to increase consistency and focus of data collection and analysis
- Bringing different people into conversations with funded organisations
- Passing data analysis to staff with no direct grantee relationships
- Using qualitative data coding software to add further analytical rigour
- Using external evaluators

Building more equal and open relationships is a priority for most funders giving unrestricted funding. As in any relational funding model, this calls for clarity about the nature of the relationship and its limits, as well as training and support for staff in engaging equitably with a range of partners and their organisations.

Analysis and discussion

We begin our analysis by summarising the five approaches to monitoring and assessing the impact of unrestricted grants. This framework, which was developed through our desk review and interviews with funders, offers a provisional framework to support the Co-op Foundation and other funders in reaching a clear understanding of what 'impact' means to them, analysing what they need to know to make judgements about this impact, and then developing their approach.

We move on to explore five broader thematic points, drawn from this study, other IVAR research and the wider experience of operational charities and the Open and Trusting community of funders.

A provisional framework for assessing the impact of unrestricted funding

The tables below summarise the five distinct approaches that funders followed to assess the impact of unrestricted grants. Each table outlines the key question funders typically ask themselves, as well as the focus of their impact assessment and their chosen methods. The comments add further analysis to help better understand the approach.

1. Organisational development

Are we helping the organisations we support to get stronger, and how can we improve our contribution?

Focus	Methods	Comments
• There is increasing evidence of the positive impact of unrestricted funding on organisational strength and capability. • Impact can be seen across strategic planning and decision-making, organisational capacity, financial health, human resource management, creativity and innovation, and adaptability. • Funders determine impact by assessing how organisations develop while in receipt of unrestricted grants, and how effectively their own financial and non-financial contributions support this process.	Funders' approaches are well-developed and characterised by: • Careful judgements about selecting grantees – and a clear focus on supporting them to succeed. • Treating impact assessment as a developmental process, not a 'pass/fail exercise'. • Collecting and analysing both quantitative and qualitative data. • Ensuring that quantitative measures of organisational progress (e.g. KPIs and statistics) are meaningful to both funder and grantee. • Using conversations with funded organisations to capture qualitative data. • Funders using learning from cross-portfolio analysis to develop their own practice.	• This approach is common among funders supporting the growth and/or resilience of small and/or promising organisations, and those enabling high-performing charities to scale their work. • It can also work well for more generic unrestricted funding, enabling funders to make constructive judgements about the impact of unrestricted grants across broad portfolios.

2. Outcomes oriented

Is our funding helping organisations to deliver positive outcomes for their communities?

Focus	Methods	Comments
• Adopting an outcomes orientation with unrestricted funding does not require charities to artificially segment their outcomes 'by project' (as may happen with restricted funding) but to engage with them on a 'whole organisation' basis. • Although other funders review outcomes, only one of our nine interviewees (Funder I) used outcomes as its core approach to impact assessment. This reflects both a reaction against the use of outcomes as a performance management mechanism in restricted funding, and a rejection of the notion of a direct line of attribution between 'our money' and 'these specific outcomes'.	• Although not wishing to claim charity outcomes as their own, some funders wish to aggregate outcomes data as part of their impact analysis. • The challenges of aggregating outcomes across broad portfolios are very familiar to generalist grantmakers of all kinds – especially where they are committed to using indicators that are meaningful to grantees and not 'funder-driven'. • These challenges are less likely to arise when the funder's own outcomes focus is very tightly defined and these outcomes are highly predictive of impact, very measurable and well established in their sector.	• Outcomes matter to funders and to charities – and both have invested heavily in trying to understand them better. • However, the use of outcomes as pre-agreed performance targets to hold grantees to account seriously undermines their value in helping either funders or charities to make informed judgements about 'what next?'. • There are considerable opportunities to reframe the use of outcomes support within the more forward-looking and collaborative approaches to impact assessment sought by charities and unrestricted funders.

3. Systemic change

Are we seeing progress being made towards our long-term change goals, and where can we exert positive influence?

Focus	Methods	Comments
• Funders determine impact by assessing what systemic change has been achieved at an issue, community, or geographic level. • Recognising the complexity of most systems, funders appreciate the need for collaboration and that their funding generally plays only a small part in achieving change. • Funders understand that meaningful change takes time and adopt a long-term, patient approach.	• Monitoring practices focus less on individual grants and more on what is happening in the system and how grantees are contributing to change. • Since impact is assessed on a macro scale, evidence is collected from a range of stakeholders and includes a mix of qualitative and quantitative data. • Funders use tailored frameworks to structure data collection, maintain oversight and support learning over extended timeframes.	• Although impact assessment and its time scales are built into systemic change strategies, it can be challenging to maintain a shared sense of progress over long timeframes, especially for funders new to this approach. • Periodic reviews are important opportunities to take stock of progress and explore where a funder's own contribution might be improved.

4. Funder performance

Does the way we fund grantees support them to deliver their best work, or could we do better?

Focus	Methods	Comments
• Funders determine impact by assessing how their own practices affect the organisations they fund and shape the funding environment in which they operate. • A key concern is to reduce the inhibiting effect of power imbalances and elicit open feedback.	• Many funders use anonymised grantee perceptions surveys to encourage frankness and gather a range of qualitative and quantitative data to help them improve. • Some ask for feedback during review meetings – working to manage power imbalances by, for example, being clear about the focus on learning, sharing well-structured questions in advance, or involving more than one person.	Many funders assess their own performance, although this tends to be a subsidiary concern because their primary focus is on another form of impact. That said, as with funder F, it is possible to put *'being a better partner'* at the heart of impact assessment.

5. Adaptation oriented

Do we understand the changing context for funded charities, and are we adapting quickly enough to better support them?

Focus	Methods	Comments
• Funders regard linear models of impact as an unhelpful oversimplification of the complex interaction of actors and uncontrollable events that influence whether hoped-for outcomes are achieved and sustained. • In this context, they are unconvinced by the plausibility, rigour or value of attempts to 'measure our impact' in social action and do not attempt it. • They see impact as incremental, achieved by continuous learning and improvement – a journey not a destination.	• Selecting suitable organisations and *'letting them get on with their work'* is the key to *'unlocking impact'*. • Routine monitoring is very 'light touch', using annual/generic reports with little or no tailored written reporting. • The top priority for (usually annual) catch-up meetings with grantees is to enable open conversations about context, challenges and opportunities. • This enables funders to take agile and better-informed action to support grantees and improve their own contribution to change.	• Funders recognise that they stand outside a norm of impact measurement that has become increasingly prevalent over recent years. • They have determined their approach to impact with careful thought and attention to both their views on how change happens and their values. • Achieving alignment between trustees and staff is crucial to enabling these funders to take this different path.

An open and trusting approach − five suggestions to improve funder practice

1. Using strategy to drive impact assessment practice

Our interviews highlight the diversity of funders' considerations in relation to impact. There is no simple – or right – answer to the question, *'What does "impact" look like and how do we assess it?'.* Every funder must make this judgement in the light of its own strategic purpose, its values, and its priorities as a supporter of social change. And all must test the realism of their impact assessment aspirations against the size of the grants they give and the competing priorities for the time and capacity of both funded organisations and themselves.

All the funders interviewed have given time and attention to these critical questions. The framework we have developed from their collective experience of the opportunities and the challenges offers tangible guidance for others to build on. We hope it will enable many more to develop a realistic and meaningful approach to assessing the impact of unrestricted funding, delivering value to both funders and grantees, and supporting more open and trusting funding relationships. The evidence is consistent across impact types: funders do best when they adopt a pragmatic approach, using a mixture of qualitative and quantitative data to assess the impact of unrestricted grants and draw out actionable intelligence to shape future practice.

2. Adopting a strategic learning approach

The principles of 'strategic learning' help to ensure that the monitoring and assessment of impact remains in lockstep with the strategy it supports. Strategic learning is specifically concerned with how board members and senior staff use the full range of intelligence drawn from the impact assessment process and other sources of data, experience and expertise to make judgements about 'what next?'. The commitment is to ensure that *'the lessons that emerge from evaluation and other data sources will be timely, actionable, and forward-looking, and that strategists will gain insights that will help them to make their next move in a way that increases their likelihood of success'.*[39]

This concept has proved helpful to trustee boards in reconciling a perceived tension between 'formal governance responsibilities' and 'learning' – often predicated on an unhelpful notion that governance is all about formal accountability and learning is, somehow, a 'nice to have' luxury. A strategic learning approach places the development and oversight of strategy at the heart of the board's governance function, helping to balance scrutiny and oversight with curiosity and adaptation.

3. Championing impact as a collective achievement

Funders do not have to *prove* the precise impact of their money to demonstrate responsible stewardship of their assets or to make informed judgements about their contribution to positive social change. We found considerable frustration that the 'attribution or contribution' debate continues to be such a dominant influence in approaches to monitoring and assessment of impact. It draws energy and intelligence away from much more fruitful discussion about who determines what impact looks like and

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[39] Coffman and Beer, 2011

how progress towards it can best be judged. And it obscures the fact that these answers will be very different for a targeted systemic change intervention, a programme to support organisational development, and an open grants programme designed to alleviate immediate needs in the poorest communities.

Thoughtful impact measurement adds value, but the answers to complex questions about what to do next are not found in any single source of data. At the heart of sustainable impact sits a commitment to a trust-based learning approach[40] which:

- Values the perspectives of funded organisation staff as experts
- Reduces foundation-driven demands on funded organisations' time
- Protects funded organisations' agency and flexibility
- Addresses questions that matter to funded organisations
- Diversifies the range of information brought to the table

Using a trust-based learning approach helps charities and funders engage as equal partners in building collective wisdom around impact to advance equitable and effective social change. It privileges neither the power of money over the lived experience and expertise of communities and practitioners, nor the appeal of 'hard metrics' over diversity of data.

4. Taking a fresh look at outcomes

First introduced at scale into UK grant-making during the 2000s, the practice of setting and measuring outcomes is now widely embedded in funding models. And many charities and funders use outcome-based theories of change to help them understand and support pathways to change. However, our interviews found that few funders gave outcomes a prominent role in their approach to monitoring and assessing the impact of unrestricted funding.

At least in part, this reflects the 'baggage' outcomes carry from their use in restricted funding, not only as a mechanism for attribution of impact to funders but also in their common application as hard measures of performance. Funders who choose to make unrestricted grants often do so because they recognise that change is complex and want to transfer power to grantees and give them space to adapt to a changing world. With this emphasis on adaptability, it is perhaps unsurprising that they are looking for more nuanced and flexible ways of judging impact.

A key question is whether the problem lies with outcome assessment itself or with the straitjacket that outcomes have been put into in support of restricted funding models. Thinking carefully about outcomes, how to achieve them and how progress can be judged is a valuable discipline. But, over time, the balance has shifted so that many restricted funders (rightly or wrongly) are seen as paying for pre-agreed outcomes, which funded organisations are accountable for delivering. This inhibits charities' flexibility and responsiveness to changing needs. And, when good performance comes to be defined as 'achieving the outcomes we said we would achieve', everyone's ability to use outcomes to support their judgements about how to improve their contribution is compromised.

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[40] Cairns and Davis, 2023

Significant resources have been invested in defining and understanding outcomes over the years, and both charities and funders deserve a more meaningful return on this investment. There is an opportunity for funders who give unrestricted grants and the charities they support to reframe the use and analysis of outcomes in the impact debate. This shift could involve moving away from predominantly backward-looking mechanisms concerned with funded partner performance and 'what specific impact did our money buy?', and towards valuable sources of intelligence to guide decisions on how best to move forward in supporting sustained change.

5. Entrenching reflective practice

That funders should constantly reflect on their approach to understanding, monitoring and assessing impact is arguably the most important finding from this research. Taking account of values, biases, and their own presence in the situation they are investigating is fundamental to drawing reasonable conclusions from the data they collect and analyse. In a complex social world, impact can rarely be captured by simple measures, so an ability to make sense of the world, surface subjectivities and make informed judgements becomes a vital feature of any approach to understanding impact and using this learning to shape future practice. Consciously integrating such reflexivity can enable funders to drive greater understanding of, and meaning to, their work. It will require a different, more open and trusting mindset at the heart of funding practice − one that accepts the complex and collaborative nature of impact, and approaches it not as an auditor of the performance of others but as a partner in progressing positive social change.

Reflections from the Co-op Foundation

The Co-op Foundation, through our strategy *Building Communities of the Future Together*, is committed to open and trusting philanthropy. With the Future Communities Fund, we are dedicated to providing unrestricted, long-term funding to our partners, enabling them to respond flexibly to changing priorities and needs. We also ensure that reporting requirements are light-touch, well-understood, proportionate, and meaningful.[41]

As the Future Communities Fund is our first unrestricted funding programme, we've prioritised learning alongside our grantees to understand the impact of our funding and how we can improve our practices. Our learning process and impact measurement are rooted in our co-operative values − *how* we learn is as important as *what* we learn. Our goal is to learn *with*, rather than *about* our funded partners, shifting the power dynamic around who decides what it is important to learn and how.

As a corporate funder, it is also important for us to demonstrate to our member owners the social value of our funding − to both organisations and individuals. IVAR's research on how other funders assess unrestricted funding has informed and stimulated evidence-based internal discussions on the most appropriate approach for future iterations of the Future Communities Fund. The findings have deepened our understanding of what's possible, as well as the reasoning, benefits, and risks behind different approaches to measuring impact.

The framework became a tool to explore available options and make informed decisions aligned with our commitment to being a co-operative, open, and trusting funder. As the report highlights, similar to other funders, we pursue more than one approach. From the outset, we're clear that any impact identified is the result of our contribution, rather than attributing it solely to our funding. We recognise that many internal and external factors influence the work of our funded partners, and our financial support is just one of these.

Inspired by other funders, such as the Ford Foundation, we aspire to support organisations in becoming stronger through unrestricted funding. We aim to explore the impact of unrestricted funding on their organisational development, including their strategic planning, decision-making, organisational capacity, financial health, human resources, creativity, innovation and adaptability. We also want to assess how organisations evolve while receiving unrestricted grants, and how effectively their own financial and non-financial resources support this growth.

Understanding how stronger organisations contribute to better outcomes for young people is important, and so we are also outcomes oriented. As part of developing the Future Communities Fund, we co-created a Theory of Change with our Future Communities Collective (our young participatory grantmakers). In our learning and impact work, we remain open and curious about the outcomes for both our funded partners and the young people they support. We will not impose our Theory of Change outcomes during the evaluation process but will reflect on them at the end of the funding period to compare the actual outcomes with our initial intentions.

We welcome impact reports from our funded partners in a format of their choosing, allowing them to use evaluation methods that best fit their work with young people.

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[41] IVAR (no date)

Additionally, the funded partners have collectively agreed to work with our learning partner, IVAR, to train and mentor young researchers to conduct peer research and assess the impact on the young people they support. This collaborative approach ensures that our data collection methods are culturally sensitive and proportionate.

We're also interested in evaluating our performance as a funder and how our practices affect our funded partners. IVAR will conduct periodical interviews with funded partners to gather direct feedback on our funding practices. During our annual conversations with funded partners, we also seek feedback on our behaviour as a funder.

We are committed to continuous learning and improvement. As this report highlights, we see impact as incremental, achieved through ongoing learning for both our partners and us. Our learning and impact approach includes peer learning opportunities for our partners and light-touch check-ins that allow for open conversations about context, challenges, and opportunities. We have deliberately shifted our language, avoiding the term 'monitoring', and our annual check-ins are not linked to the receipt of grant payments. These conversations are based on a set of questions we provide in advance, and we do not expect bespoke reports from our funded partners. Our conversation guides were inspired by templates and questions shared by other funders interviewed for this report, and we include our guide in the Appendix.

True to our co-operative values, after completing this research on how other funders assess unrestricted funding, we began co-creating an evaluation framework with our partners. We aim to ensure that our learning and impact methodology is not imposed on the organisations and is culturally responsive. Our evaluation framework is underpinned by learning questions based on four of the five approaches to tracking and assessing the impact of unrestricted grants identified in this report:

- What behaviours are required for the Co-op Foundation to be an open and trusting funder in the field of youth participation?
- To what extent, and how, has multi-year unrestricted funding made a difference to our partners?
- To what extent, and how, have young people benefited from the activities and services delivered by our funded partners?
- To what extent, and how, is the Future Communities Fund helping to change the funding practices of other funders?

As recommended in this report, we have adopted a strategic learning approach with the Future Communities Fund. The first round of funding was opened just after the launch of our *Building Communities of the Future Together* strategy, which prioritises unrestricted, long-term funding. Lessons from this first round are already informing the development of the second round.

We champion measuring impact as a collective achievement, valuing the expertise of our partners' teams and safeguarding their agency and flexibility. Publishing IVAR's research on how other funders assess unrestricted funding is one of many steps we are taking as a reflective funder within the wider philanthropic sector. We encourage other funders who already offer, or are considering offering, unrestricted funding to openly share their insights on the impact of their funding and their approaches to measuring it, as they strive to achieve and demonstrate social change.

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Appendix: The Co-op Foundation's guide for end-of-year conversations with funded partners

Our end of year conversation is an opportunity for us to reflect on the past twelve months and the year coming up. Your responses within this conversation will help us to get to know you better as an organisation and aid us in the design of future grant programmes. Alongside the work of our Learning Partner the information you share with us will also help us to champion the role of unrestricted funding, especially for more locally based community organisations such as yourselves.

What you say will not affect our existing or ongoing relationship and your funding payments are not linked to these conversations. Feel free to be honest and open – we won't share anything that identifies you without your permission and we want to hear about the negative as well as the positive. As part of our learning contract with IVAR we will share feedback from these conversations to help give them a more rounded picture and a better understanding of the operational issues faced by our funded partners. Please be assured that any information relating to comments or questions about IVAR will be shared anonymously.

Below is a broad framework for our conversation, with some suggestions as to what you might reflect upon ahead of our meeting. **Please don't think that we want detailed answers to all these questions**, they are merely suggestions for what you may want to think about, and we appreciate that not all the suggestions may be applicable to your organisation. We really do just want to have a catch-up conversation with you, but from experience, we know that some partners find that prior knowledge and the provision of a loose framework helps to galvanise their thoughts.

Highlights
Tell us about some recent highlights and successes at your organisation since receiving your grant – these may include:
- What are you most recently proud of in your organisation?
- Is there anything in particular that has allowed you to make progress?
- Have there been any external opportunities or enablers that have helped your organisational progress?
- Have you built any new partnerships which have helped you?

Challenges
Tell us about any (if at all) organisational challenges you may have experienced since receiving your grant – these may include:
- Have there been any significant changes/challenges that have affected your organisation's work - if so, how did you cope with/move on from any changes?
- Have there been any external pressures which are prompting you to change the way you operate – and if so, will you have to change things further in the coming year(s)?
- Are there areas of work you feel you haven't made progress in? If so, why do you think this is, what have been the barriers?
- What would help you overcome these barriers?

Future Communities Fund priorities

Your organisation was chosen for funding because you actively work in both the priority areas of 'Youth Voice and Activism' and 'Diversity, Equity and Inclusion'. Consider your ongoing work in these areas – for example:

- Has anything changed in how you support young people in these priority areas?
- Do you feel that the mission and focus of your organisation has changed at all since receiving funding?
- Would you like to do more in these priority areas to support young people – what would help you achieve that?
- What difference (if any) is the Co-op Foundation funding making to your organisation?

The future

Think about your plans for the next year or years whilst you are in receipt of your funding – for example:

- What are your priorities/focus for the coming year?
- What worries you most about your operation over the coming year(s)?
- What are you looking forward to most?

Your operation

Consider how you receive and utilise your Co-op Foundation funding:

- Are you happy with the payment schedule as it stands?
- Is there a way we could schedule your payments more effectively for you?

Please be assured the following questions are purely for our own research, if you prefer not to share that is fine.

- Do you use your grant funding for a specific purpose or utilise it to react to operational demand – or something else?
- Will you continue to utilise the funding in the same way going forward?

Our relationship

Consider our ongoing working relationship – for example:

- Is our relationship as partner and funder working as you expected?
- How do you find levels of communication – too much/not enough/OK?
- Is there anything we can do as a funder to support you further?
- How are you finding the experience of working with a Learning Partner?

Your advice to us

As we embark on the planning and development of the next round of funding under the Future Communities Fund, consider any advice you would give us – for example:

- Is 3-5 years an adequate time span for funding? Is 5 years too long – are you able to plan that far ahead? Would 3 years with more money be a better option?
- Is there anything we could have done that would have made your application process easier?
- **Anything** else you want to mention.

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