

# Five Years of Funder Plus

## Five Things We Have Learned

1. Build Trust on Both Sides

2. Diagnostic is Critical

3. Empower Grantees

4. Invest in Leadership

5. Upskill, Embed, Sustain

.....

The small and local charities we fund at Lloyds Bank Foundation tell us every day of the increasing pressures they face to respond to rising demand with ever shrinking budgets. At the same time many of the infrastructure organisations that have historically supported them have had their own capacity cut, their services merged or have even disappeared entirely.

This is why, since 2014, Lloyds Bank Foundation has been on an ambitious journey to offer additional developmental support to our grantees – “funder plus”. We have commissioned, funded and delivered support in partnership with over 100 independent local consultants and providers – piloting, evaluating and testing new ways of working.

This report shares our learning, drawing on independent evaluations of our work, as well as our own grant monitoring and feedback. We don't pretend we've got it all right, but we hope that by sharing these insights we'll help inform, shape and encourage good practice, as together we strive to support charities to be stronger, more sustainable and effective.

.....



# Our Funder Plus Support

## Capacity Building: Enhance

'Enhance' is the Foundation's flagship funder plus programme and provides a range of tailored capacity building support to help the charities we fund thrive.

Through our partnership approach we work alongside our grantees to identify what (if any) support might help them work more effectively. When they've agreed on a specific area for development, have a plan of activities in mind to address this, and a idea of what they hope to achieve, they'll be offered support.

Support is offered on the following principles:

- **Participation is voluntary**
- **Support needs are agreed between the charity and their Grant Manager**
- **Grantees are offered a choice of provider**
- **Once the support has been commissioned, the Grant Manager steps back**

**The programme has grown from a pilot project to become a core element of our funding practice and how we think about the impact of our grantmaking.**

- **Almost 800 grantees since 2014 have accessed some form of support under the Enhance programme – 71% of all the charities we've funded since 2014**
- **43% of support is provided by local consultants, 57% our national providers.**
- **The majority (53%) access only one or two forms of support, but a quarter (25%) access four or more over the life of their grant**
- **The Foundation has invested £4m to date in the Enhance programme**

## Grow

From 2016-2018 we piloted the Grow programme: working in Redcar & Cleveland and Neath Port Talbot – to deliver capacity building support to ten 'micro' charities. These were smaller than the Foundation's usual grantees, with a turnover of less than £75,000.<sup>1</sup> Charities were given access to capacity building support including business planning, marketing and fundraising, service evaluation and volunteer development, with the aim of strengthening and growing small local charities and community organisations.

This was delivered in a partnership between the Foundation, a local co-ordinator and local consultants.

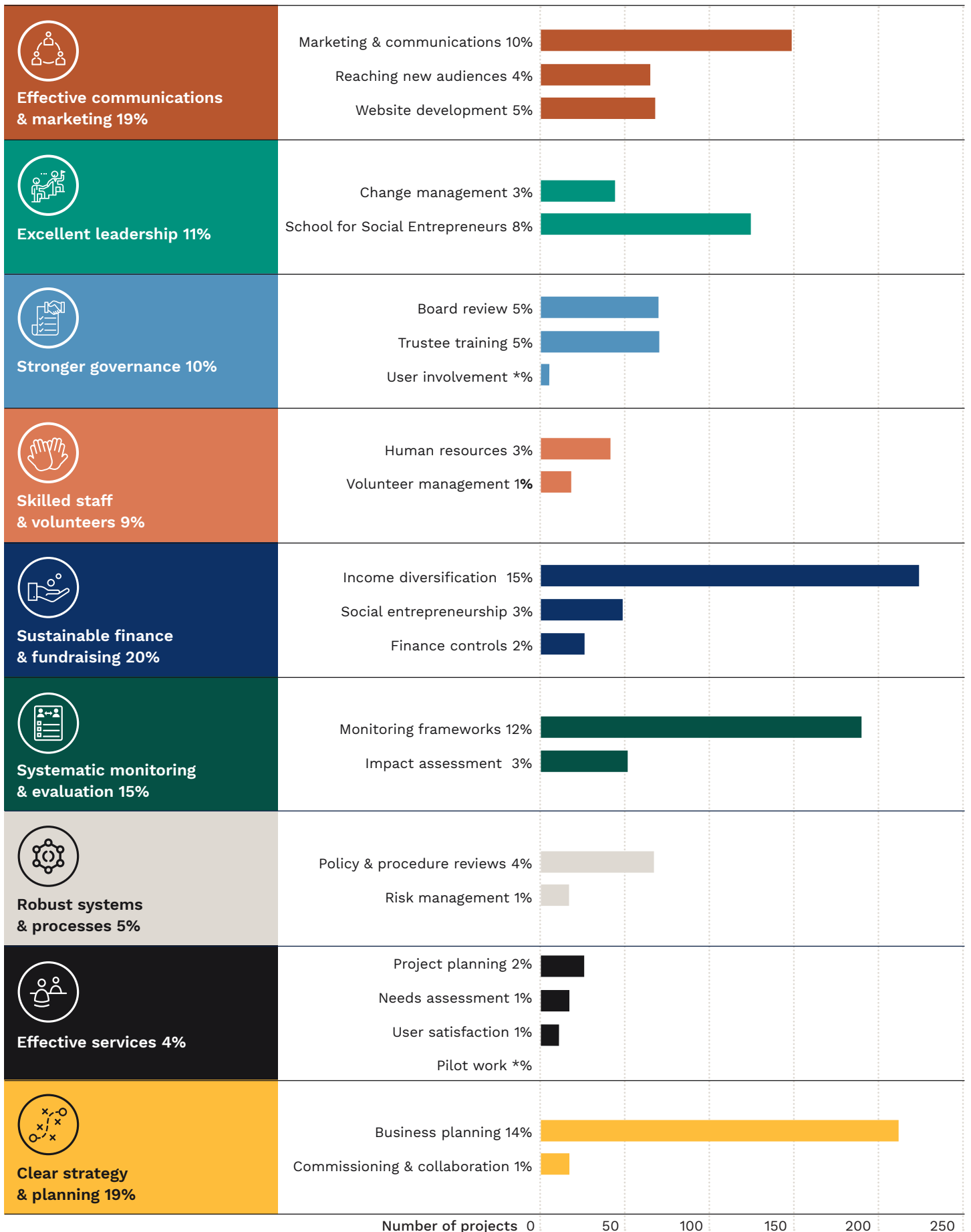
## The Income Diversification Programme (IDP)

The Income Diversification Programme (IDP) was a two-year pilot programme that concluded in early 2019, working with 17 charities to deliver support on financial skills, business modelling, enterprise and fundraising. This programme was delivered in partnership with the social investment specialists, Resonance.

The pilot aimed to better understand the barriers for grantees to develop alternative sources of income and raise awareness of best practice at the Foundation, among grantees and in the wider social investment market regarding income diversification and capital raising in the sector.

<sup>1</sup>Usually our grant-making is restricted to small and medium-sized charities with an income of £25,000 - £1,000,000.

# Enhance Outcome Area Breakdown



# Our Findings

Drawing from our three evaluations we have identified five key learnings from delivering our capacity building programmes since 2014.

These lessons cover the importance of building trust in the grant-maker, grantee relationship, the importance of successful diagnostics, the need to empower grantees to make choices around the support they receive and the need to invest and build knowledge in both charity leaders and the organisations more widely.

## 1. Build trust on both sides

### Build partnerships

Delivering funder plus support starts with the funder-grantee relationship. This sounds obvious, but it is vital. Through our frontline regional Grant Managers, we strive to work in partnership with small and local charities to build a strong and trusted relationship, shaped by clear expectations and our shared aims. This is led by face-to-face conversations with the charity, and not just paperwork.

In all our grant-making, the relationship starts with building trust with each of the charities we fund, especially if they take up any form of funder plus support. But moving from a relationship of assessor and assessed to a partnership of equals is not easy. Therefore, our Grant Managers have to begin to build a trusting relationship between them and the charity from the first interaction.

Our grantees must trust that being honest about the areas in which their organisation needs to develop won't jeopardise a future funding application – and that they can also say no. They also need to trust that we understand both their organisation and the challenges and opportunities in the wider sector.

Grant Managers must trust that charities will engage in good faith and are committed to acting on support. This trust takes both parties well beyond the usual power dynamics between funders and the funded.

By taking a supportive role, we've found that Grant Managers can encourage honest dialogue about any additional organisational needs a charity might have. We know from experience, where trust is not established, the results can be variable.

**“[Funder plus] needs to ... reflect a humanistic not mechanistic approach. In practice this means being very clear that this is not mandatory; but also having the skills to have an honest conversation with charities about where they might have challenges.”** - Enhance

## Quality relationships shape the support

With a role that is independent of charities and support providers, we are uniquely placed to broker support on behalf of our grantees. We have no services to sell but can leverage our bird's-eye view to help grantees to navigate the consultant marketplace and find the right support. We've built a network of both national and local consultants and support providers, can take advantage of economies of scale and have the capacity to vet and compare a larger number of consultants.

**// “The Foundation offers support in identifying what particular areas of support the charity would benefit from and is therefore able to offer a tailor-made package which aligns with the organisation’s needs. This flexibility, and the guidance and support from the Grant Manager has really made a difference.” - Monitoring Report**

As a funder we can use all our assets to improve capacity. We can move quickly to help organisations access support. The scale of our investment in funder plus is less than 10% of our spending on grants, but many grantees have told us that the additional support has been as valuable as their grant - and in some cases more.

**// “It’s good to have the grants manager there as an independent eye – able to build a process to support the organisation ... they helped us in getting to the bottom of what we need and want ... looking at what we need to be more effective” - Enhance**

In order to understand the organisation, as well as a wealth of expertise of the regional context, including local experts and consultants working in the field, we have relied on the skills of our Grant Managers to lead the conversation and facilitate a meaningful diagnostic.



POW Nottingham worked with a communications consultant to develop messaging, fundraising and social media strategies

## 2. Diagnostic is critical

### The external perspective unlocks new opportunities

In commissioning funder plus support, it is all too easy to treat the effect and ignore the cause, focussing on the presenting problems rather than the underlying issues. Getting the diagnostic right, whether formal or informal, is critical. Identifying what sort of support will be most useful to charities, considering both their history and current circumstances, is both difficult and vital for success.

The number of self-assessment tools to support a diagnostic process has grown in recent years – an internal review undertaken by a major UK foundation identified over 50 organisational capacity frameworks currently in use.

A good self-assessment tool will allow organisations to think critically about their strengths and needs, but an external perspective can give the organisation permission to look at itself differently. In our funder plus work, this is often a pause point: working with the Grant Manager or a consultant who has the distance and skills to interrogate, challenge constructively, build a relationship and ask the right questions.

An exceptional board can provide this challenge – but even in the most dynamic charities **‘this kind of strategic questioning is ... often difficult for organisations to undertake themselves.’** - Enhance.

A strong consultant asks the right questions and coaches organisations, rather than leaping to prescribe a solution on their behalf.

**“Our consultant provided us with a professional mirror on our strengths and vulnerabilities. His analysis was a real ‘motivator’ to try to address our business-model vulnerabilities.”** - Monitoring Report

The importance of consultants asking the right questions was noted in a number of interviews: **‘he was brilliant, he posed questions rather than gave advice’** - Enhance (charity).

A successful diagnostic also requires skilled listening: **‘This was frequently expressed as having shared values (Charity), which in turn gave the charity (often the senior leader) access to a ‘sounding board’ and ‘critical friend’. In cases where this had not happened, the support was considered to be less successful.’** - Enhance.

**“The initial diagnostic is a critical element of getting the support right for charities.”** - Enhance

## The diagnostic needs to map a clear trajectory

The diagnostic sets the framework for the rest of the work. It needs clear expectations around resource commitment, and purpose needs to be embedded into the process – it clarifies what the grantee will be expected to do, what the support provider will deliver, and what success will look like once the work is completed.

**// “Our consultant has facilitated this development process for the organisation and helped the management team to come to some major decisions, always keeping us focused on the tasks in hand and has encouraged us to research and review the business case for any decisions etc. This can be very difficult to do when you are also doing the day job so this external ‘critical friend’ has been invaluable!” - Monitoring Report**

Free support for a charity is rarely entirely free. Engaging with support is not resource neutral for a small charity. It takes at minimum time and energy – particularly of the Chief Executive – but of also trustees, staff and volunteers. Some of the grantees we supported took on too much, and as a result we now pay much closer attention to capacity.

**// “The diagnostic process also needs to be about supporting charities to understand that they will be responsible for implementing the work; therefore, attention needs to be paid to assessing their capacity to do so.” - Monitoring Report**

## Take the time to do it right, and revisit often

Particularly with small organisations, the process of identifying their needs can't be done too hastily. Identifying the right support is an iterative process, and it can take time for an organisation to recognise and agree their needs. Trusting relationships are key during this process. We didn't always get this right in the early days of Enhance.

The evaluation of Grow found that the diagnostic should be an ongoing and dynamic process, with regular reviews over time – balancing agenda setting on both sides with the conversations inside a charity that are essential to building consensus that the work is necessary.

**// “For smaller charities ... ensure that space and time for organisational leads is built in to ensure engagement, in terms of funding that time or ensuring flexibility within the Enhance programme in terms of timescales for engagement; as a small organisation, we sometimes found it difficult to engage as much as we would have liked.” - Monitoring Report**

## 3. Empower grantees

### Give charities choice and control over support packages

The most fundamental lesson of our funder plus work is that success depends on charities being in control: the grantee needs to own the development process from start to finish. Where a charity does not have the motivation or capacity to engage, we learned that it becomes a fruitless exercise for all concerned.

For control to be achieved, charities should exercise choice over the support package: the who, the what, the when, the how. We have found that putting charities in the lead to negotiate the brief has reduced the number of projects that end up being ‘nice to have’ - and has obliged charities to be clearer on their priorities.

**“I appreciate it can be challenging to get the best out of Enhance if you are not clear on your ‘ask for help’ and reluctant to accept their advice. Having a commercial background, I have commissioned ‘professionals/**

**consultants’ and appreciate the role they play in giving you unbiased feedback. As a CEO it can be difficult to accept feedback on your business and that you yourself might need to embrace change. If you are able to do this your response to the support of Enhance could be quite different.” - Monitoring Report**

The relationship between the consultant and the funder is important – but first and foremost the charity is customer and client. The Foundation steps back once support has been agreed allowing the relationship between parties to be candid, and to ensure that the charity is empowered to hold the provider to account, e.g. to push back or challenge underperformance. This stems from a partnership approach that avoids the usual funder/grantee power dynamic, supported by robust processes for collecting genuine feedback on quality of service. Finally, the pace of support needs to be determined by the charity - some grantees need longer-term support than others, and sustainable change takes time to deliver impact.



Asylum Link Merseyside received GDPR training, as well as refurbished computers to replace their outdated equipment





The Magdalene Group undertook PQASSO accreditation, a quality mark that helps them demonstrate the quality of their interventions and attract wider support

## The right support at the right time

The Foundation has invested in interventions that work with groups of grantees and where support has been bespoke. In either case, the work must meet the specific needs and context of each charity and work with the grain of their ambition.

If it lands at the right time and in line with an organisation's strategic lifecycle, the support can push a charity to the next level.

**“Both consultants contacted us quickly and spent a lot of time with us trying to understand [our charity]. It was a big-time commitment from us, probably more than we anticipated, however the final product was tailored to us as a result”** - Monitoring Report

For some, this means taking an opportunity to initiate strategic change. It provides the impetus for the charity to revisit their purpose from first principles, address strategy and organisational culture or increase the confidence of leaders. For others, it means embedding a journey of strategic change – accessing more practical, tangible or short-term support.

**“This highlights the importance of understanding the context and particular challenges facing each individual charity, focusing upon its strengths and assets, and taking the time to enable the charity to explore which elements of (additional external) support could be most helpful”** - Enhance

The important point here is that it's not for the Foundation to judge which of these is the right route: in either case, if the grantee is not persuaded that the work is necessary, it is highly unlikely to stick or achieve lasting impact.

**“Enhance support is locked into organisational processes that will make it easier for the team to work on over the long term”** - Enhance

‘Participants felt more long-term support was needed to help implement the recommendations’ - IDP

## 4. Invest in leaders

### Start with the individual

All change is personal. In small organisations, their resilience hinges on the talent, energy, networks and determination of its leader. We've learned that development work needs to bring a focus on nurturing those leading the organisations, especially in younger organisations and for those new into a CEO role.

Through peer-to-peer support, confidence building, networks and skills development, the impact of investing in a leader on the rest of the organisation can be transformational.

**// “The leadership training has helped me to think laterally. That kind of validation lets you be entrepreneurial”**  
- Enhance

**// “The forums reduce the stress I often feel as CEO and help me to realise that I am doing a good job which restores my confidence. Being CEO is a lonely place and the [network] helps me to reflect, feel supported, encouraged and have self-preservation.”** - Monitoring Report

There are risks inherent in this approach. As the Enhance evaluation noted, ‘with so much support directed at senior staff, stakeholders wondered about the degree to which change can be embedded if one of them leaves.’ The Grow evaluation highlighted that organisations overwhelmingly reliant on the drive of a single person were less likely to respond positively to the challenge and scrutiny associated with external consultancy.

It is important to strike a balance between backing those who already have a vision, and those for whom funder plus support can create the space to do things differently. The Income Diversification Programme worked particularly well for those with entrepreneurial CEOs ‘with resource to explore new opportunities, think strategically and display strong leadership’.

**// “We have a consultant who is helping us on improving our management model, by reviewing our appraisal and work plans to help us set more specific targets for staff and review these effectively. She is also helping with succession planning, should the director leave, as currently the director holds a great deal of knowledge and practical skills that need to be more developed across the small management team.”** - Monitoring Report

Leaders with appetite and drive will usually find themselves at the front of the queue – but funder plus shouldn't only be about picking winners. We need to target those leaders who might lack confidence and vision – but who with support, encouragement and investment of time can build a stronger charity and develop their personal potential.

### Create time and space to think

The Foundation has invested in a range of programmes that focus on personal leadership, and where they succeed it's often because they carve out space for strategic thought. This is a common approach taken by many development providers and can create benefits that ripple throughout the organisation.

**// “Having time away from the office to think and learn was invaluable and I don't think I could have written our transition plan to Universal Credit without it”** - Monitoring Report

For many leaders, this is the opportunity to step back from a relentless focus on the day-to-day.

**// “Supporting the leader of an organisation was seen as crucial to enabling organisational strategic change by giving leaders the time, space and confidence to address issues beyond the day-to-day.”** - Enhance

## 5. Upskill, Embed, Sustain

### Build capabilities, not just capacity

The measure of success for funder plus is not whether the support went well, but whether the change was sustained. We firmly believe that effective funder plus is the transfer of knowledge and skills for charities to do it themselves. Done effectively, this carries across the whole organisation, including the board of trustees.

This has to be clear to all parties from the outset, and we haven't always done this well:

**// “There were sometimes unclear expectations and confusion about whether consultants were to do the work, or whether their role was to enable charities to upskill and do it themselves.” - Enhance**

It is a particular risk for funder plus that we build ‘white elephants’: projects a charity needs but cannot embed. They even risk becoming a resource drain for charities to maintain half-heartedly. By working at a pace set by the charity and tailoring the support to their needs, we can mitigate that risk (albeit not eliminating it entirely).

**// “[Our consultant was] instrumental in the creation of a new and much improved website for the organisation, giving staff the skills to be able to create and update without the need for media consultants. This has been beneficial as it has saved the organisation money and has equipped staff with valuable skills” - Monitoring Report**

It is important that any support be delivered at a pace suited to the individual charities' circumstances and that growth occurs at a manageable pace to, as one charity noted, ‘drive change as well as to ensure it is linked to mission (and not growth for growth's sake)’ - Enhance.

### The change process must connect to the mission

Charities should be empowered to own both the change process and the process of embedding and sustaining that change for the long-term.

Sometimes there are obvious reasons why this can't happen. Staff turnover, lack of core resource and capacity and changes in the external operating environment can all undermine a project.

But often, there is simply a lack of critical impetus from within the organisation. Without momentum, the risk is that support becomes a chore. Partly, this comes from leaders, but it also comes from aligning organisational change with the mission. The Grow evaluation found that commitment to implementing changes was rooted in the mission for social good. In their impact study of Enhance, IVAR noted:

**// “The findings suggest that change was more likely to have been sustained in organisations where the mission was clear, and change was not seen as a one-off event but part of a process of continual adaption to meet beneficiary need. This echoes our earlier work, which highlighted the crucial importance of organisations understanding and using their mission as a ‘live’ tool in order to adapt and develop in a changing environment.” - Enhance**

Our income Diversification Programme recommends organisations ‘revisit their theory of change on regular basis to ensure the activities undertaken remain true to the organisation's mission’.

As funders, we can also use our influence to ask our grantees to hold themselves accountable for embedding change into the routine work of their organisation and offer more support if this isn't already happening.

# Challenges for the sector

While capacity building offers will differ from one provider to the next, particularly as the context varies, it's clear from our evaluations that there are some wider, broader challenges that we can work together as a sector to address:

## 1. Improving Evaluation

The impact of funder plus and capacity building support generally is difficult to evaluate robustly. While independent evaluation has strongly suggested that our support has contributed to positive change for our grantees, this has been tricky to quantify.

Even with a seemingly straightforward support offer, success looks very different for different charities. Complex organisational change is messy, subjective and crucially takes a long time to embed and sustain.

As a result, evaluation needs to draw on a variety of methods and approaches, to understand the contribution that the

support has made over time and as part of a wider journey of development by the charity.

NPC's New Philanthropy Capital's 'More Than Grants'<sup>3</sup> research suggested the use of milestones and organisational capacity assessment tools to measure distance travelled, but there remains a gap in our standard evaluation tools, and ones that can be used proportionately by funders.

Work is therefore required across the capacity building sector to establish a stronger evidence base and framework for understanding the impact of our work.

## 2. Joined up Funding and Support

As more funders – both statutory and independent – begin to offer and commission development support for the sector, the number of offers are getting greater and more complex.

Some charities are already clearly overwhelmed by offers of support or biting off more than they can chew. The principles we have already set out can help with this – particularly the importance of the charity themselves being in the lead and able to request and manage the type of support they receive, on what basis and timeframe, and crucially able to turn it down should they so wish, with no implications for their funding.

Even with this, there needs to be better communication and collaboration between funders – for example, greater

alignment between social investment or venture philanthropy and enterprise-based models with traditional grant-makers.

Funders also need to recognise that in taking on the support role themselves, they could be bypassing or even undermining the work of the traditional infrastructure bodies. This might occur both at a local level, such as with Councils for Voluntary Services, and within different subsectors – like second tier organisations, membership bodies and federations. New conversations and collaborations are needed to ensure we maximise the impact that can be had, drawing on respective strengths, expertise and resources, rather than potentially fragmenting or fracturing the support base.

<sup>3</sup>NPC, More Than Grants, (2017)  
<https://www.thinknpc.org/resource-hub/more-than-grants/>

### 3. Building a strong market of support

The success of our funder plus practice has depended on the availability of a competitive, talented marketplace of providers and consultants to work with our grantees. This has not been universal – in certain geographies and specialisms there are gaps. Some ostensibly national providers cannot always provide coverage across all parts of England and Wales.

A recent review on behalf of the Paul Hamlyn Foundation, for example, identified significant gaps in the availability of high-quality support providers for youth organisations to improve their measurement and evaluation practice. And we have struggled to source support around communications.

Funders and others should work collectively to understand geographical, sectoral and issue gaps in provision.

Equally, we need to work on demand-side issues. Funder plus shouldn't be a blank chequebook for consultants – we need to work to ensure commissioning promotes healthy competition between providers on price and quality. This includes supporting charities to behave as clients – ensuring they can challenge underperformance, even when they aren't paying – as well as ourselves capturing and acting on feedback and other quality control measures, using it to drive up performance and to marginalise poorer providers.

## Conclusion

Given the challenges facing individual charities and the sector collectively, helping charities change, adapt and strengthen will only get more important. Funders have a vital role to play and we hope this report provides useful learning to them and others involved in capacity building initiatives.

At Lloyds Bank Foundation ourselves we are committed to providing capacity building support – indeed our new strategy, **Reaching Further**, commits us to providing a wider range of support, for longer, working with a wider range of partners.

We hope through sharing these insights and by working together we can provide increased, better and more effective capacity building support in the right way at the right time – supporting charities to be stronger, more sustainable and effective.



“We talked about what sets us apart from other charities before we even began thinking about our communications! Now we use social media strategically, with a clear purpose, and it’s paying off – more young people are engaging with us online, which translates into more lives changed when they walk through our doors.” - Cathryn Jackson, Leadership and Personal Development Lead, Reaching Higher

---

# About this project

This report is designed to inform or guide other funders adopting deeper and more hands-on relationships with the organisations they fund. It should also be of interest to others involved in providing, managing or indeed using capacity building support in some way.

It draws on the results of three independent evaluations of our funder plus work since 2014 as well as lessons from our own monitoring and evaluations.

## Enhance: Evaluation

---

In 2018 the Institute of Voluntary Action Research (IVAR) undertook an independent study of the impact of our Enhance programme. IVAR studied 20 grantees who received a grant in 2015 and then subsequently accessed some form of funder plus support. The aim of the research was to understand and explain the impact of our funder plus on charities, their staff and their beneficiaries; as well as whether any positive changes had been sustained. The research involved interviews with grantee Chief Executives, Chairs of Trustees, consultants and national suppliers.

This is the second study of Enhance that IVAR has undertaken. Between 2014 and 2016, they looked at the impact of support for a cohort of grantees who participated in the School for Social Entrepreneurs leadership programme.

## Grow: Evaluation

---

The GROW pilot programme was evaluated by an independent academic, Professor Tony Chapman of the University of Durham. Professor Chapman worked alongside programme staff to research the impact of the support. The research drew on a mix of desk research and secondary data, organisational self-assessments from participating charities and interviews with consultants, charities and the local co-ordinators and Lloyds Bank Foundation staff.

## The Income Diversification Programme: Evaluation

---

This programme was delivered in partnership with the specialist social investment intermediary, Resonance. Together with Lloyds Bank Foundation staff, they produced regular learning report reflecting on progress with the 17 organisation who undertook the 'Develop' phase to assess their prospects for diversifying their income. The learning report draws on evidence collected against a theory of change developed for the IDP programme, reflections from project staff in both Resonance and the Foundation and feedback from individual charities.

**LLOYDS BANK  
FOUNDATION**  
England & Wales



### **About Lloyds Bank Foundation for England and Wales**

Lloyds Bank Foundation for England and Wales partners with small and local charities who help people overcome complex social issues. Through long-term funding, developmental support and influencing policy and practice, the Foundation helps those charities make life-changing impact. The Foundation is an independent charitable trust funded by the profits of Lloyds Banking Group as part of their commitment to Helping Britain Prosper.

[www.lloydsbankfoundation.org.uk](http://www.lloydsbankfoundation.org.uk)

 [@LBFEW](https://twitter.com/LBFEW)

**Contact Us:**

Pentagon House,  
52-54 Southwark Street,  
London SE1 1UN

[enquiries@lloydsbankfoundation.org.uk](mailto:enquiries@lloydsbankfoundation.org.uk)