

Reaching Further

Lessons for Funder Practice

2018–2022



#FunderPractice

October 2022

**LLOYDS BANK
FOUNDATION**
England & Wales



Home in a hurry. Use these handy buttons to navigate through the report

We're an independent charitable foundation funded by Lloyds Banking Group. We work in partnership with small and local charities, people and communities, changing lives and working towards a more just and compassionate society.

The needs and aspirations of people drive our work. We strengthen the small and local charities that support them and the communities they live in, and advocate for a better future.

Through unrestricted funding, support to develop and influencing policy and practice we help small and local charities thrive, communities grow stronger, and people overcome complex issues and barriers so they can transform their lives.

Cover images

Top right: Amazing Grace Spaces, Newport / £50,000 / Homelessness

Bottom: The Harbour Project, Swindon / £140,547 / Refugees and Asylum Seekers

**LLOYDS BANK
FOUNDATION**
England & Wales



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About 85% of our costs are core costs – that's our rent, salaries, IT, stationery.

What I believe our visitors need, is the surety that we're open every day. That's the vital role the Lloyds funding allows us to have. And the multi-year grant makes a big difference because it means I'm not constantly on that treadmill of looking for money.

The Harbour Project / £140,547 / Refugees and Asylum Seekers

Reaching Further

Lessons for Funder Practice

2018–2022

Executive summary

This report sets out eight lessons in funder practice from the work of Lloyds Bank Foundation for England and Wales from 2018 to 2022. During the five years of our strategy *Reaching Further*, the collision of unprecedented social, health and economic crises brought both the strength and fragility of civil society into sharp focus – funders and frontline charities alike.

These lessons reflect changes we made that worked well and where we realised we were getting things wrong: from very practical issues in the design of our grantmaking processes to the biggest questions of equity, power dynamics and what it takes to work in genuine partnership with frontline charities.

Drawing on internal and external evaluations of the Foundation’s support, these lessons aim to set out the changes to our ways of working, both large and small, that most helped us adapt to the exceptional challenges of this time. The challenges of the next five years will be no less daunting, which is why we hope that adopting these practices for the long term will help the Foundation make the greatest positive impact for charities and the communities they serve.



Amazing Grace Spaces,
Newport / £50,000
/ Homelessness

1 Listen Actively

Making sound decisions as a funder depends on keeping a close ear to the ground. Asking charity partners directly what support they and the communities they work in need most is the first step, but how we did that had to change: speeding up feedback loops, listening without getting in the way, combining structured and unstructured sources of evidence. All this underpinned the Foundation's confidence to take action quickly.

2 Fund flexibly

Our funding and development support to charities now has flexibility at its core. Unrestricted grants and a programme of tailored capacity building invests in the ability of frontline charities to change, adapt and respond, and thrive beyond the life of our grant. This led to a transformative change to how we think about and describe our impact as a funder. The flexibility of our support has underpinned both stability and growth for many charity partners in the recovery from the pandemic.

3 Lighter touch doesn't mean less robust

Adopting less bureaucratic and more agile processes allowed the Foundation to move more quickly, adopt more risk-positive grantmaking – letting go of some of the structures of our old approach meant giving up control, but has also been liberating for staff and charity partners. Streamlining our processes hasn't sacrificed the robustness of due diligence and quality of our learning.

4 Equity requires action

Our work on equity, diversity and inclusion has most visibly changed who we fund and how – after identifying an inequitable distribution in our funding portfolio, a focus on racial equity has seen a fourfold increase in the share of our grants going to charities led by-and-for Black, Asian and minority ethnic communities. This change wouldn't have been possible without addressing our internal knowledge, our practices as a funder and the skills and the make-up of our staff and trustees. The practical changes we made to the way we work would not have been possible without acknowledging that this will be an ongoing and iterative process.

5 You can't do it alone

Collaboration isn't always an instinctive way of working for grantmakers: our independence is an asset that can also incentivise against partnership. The pandemic catalysed a need to work with others with new urgency, and the Foundation has entered into partnerships both formal and informal in new ways. These collaborations have unlocked new opportunities and educated us in when to lead and when to follow.

6 Relationships unlock progress

Relationships sit at the heart of the Foundation's approach. Strong partnerships are a meeting of equals: combine both support and challenge. In the early stage of the pandemic the Foundation focussed on building trust that helped us direct support to stabilise and save organisations at risk of closure. As we moved into recovery, strong relationships allowed our support for partner charities and work in communities to move to challenge and stretch.

7 Acknowledge your trade-offs

The Foundation has not been immune to financial shocks. As a result of uncertainty about our own income, we made some difficult decisions on what to prioritise. Being open about these trade-offs with charities we fund and applicants helps to set expectations and build trust, even when it means disappointment.

8 Make use of all your assets

At the heart of the *Reaching Further* strategy are three pillars: fund, develop, influence. Being able to direct all of our tools towards a shared goal has meant we can have greater impact than any one pillar could achieve individually.

Introduction



The Foundation exists to help small and local charities be the best they possibly can for the people and communities that need them most. *Reaching Further* pursued three pillars of work towards that goal:

We fund:

providing flexible, core funding for frontline charities to deliver services for people facing complex social issues

We develop:

building the capacity, capability and resilience of charities and the systems they work in

We influence:

campaigning, research and policy to tackle the barriers that entrench disadvantage and improve the operating environment for small and local charities

The combined impact of the Covid pandemic and the global Black Lives Matter movement fell almost exactly mid-way through our planned programme of work. The work of the frontline charities we partner with was transformed virtually overnight, and the Foundation followed suit: not starting with a blank sheet of paper, but a rapid reimagining of what funding, development and influence needed to look like in the new normal.

In sharing these lessons, we want to emphasise that both the strategy and tactics of the Foundation have been, and continue to be, a work in progress. The past five years have exposed some difficult lessons for the Foundation, and we must acknowledge that some of our previous practice did not maximise benefit to the charities and communities we want to support.

Our mission to provide the best possible support to small, frontline charities could not feel more urgent, and we have been inspired every day by the resilience and commitment of the charities we fund. Independent research funded by the Foundation – *The Value of Small in a Big Crisis* – showed how local charities showed up and stuck around for the communities most significantly affected by the pandemic. They did so as the public sector struggled to respond quickly or reach marginalised communities and as mutual aid groups reduced their activities.

This report identifies the lessons the Foundation learned during that period, and the ways our practices changed as a result. We want to highlight the changes we made to our ways of working that have most helped us in our mission, both old and new, big and small. And although our learning was shaped by the crises of 2020, we think these lessons are principles for philanthropic action that will help funders, charities and communities respond to the next shock, given the projected impact of the cost of living crisis.

In thinking about effective funder practices, we are indebted to the work of many organisations advocating for reform and improvement in the Foundation sector, including IVAR’s Open and Trusting pledge, ACF’s stronger Foundation’s initiative, the Ubele Initiative, London Funders, Ten Years’ Time 2027 talent programme, the Funders Alliance for Racial Equality and Charity So White.

Left to right:

Pan Intercultural Arts, London / £50,000 / Trafficking and Modern Slavery

Asylum Link Merseyside, Liverpool / £50,000 / Asylum Seekers and Refugees

Basis Yorkshire, Leeds / £50,000 / Sexual Abuse and Exploitation

About this report

The lessons and supporting evidence in this report are drawn from the programme of monitoring, evaluation and learning undertaken by the Foundation from 2018 to 2022, alongside the reflections of the staff team.

The material drawn on from this report take several forms, set out below:

✔ Grant monitoring and learning conversations

As part of our funding agreement, small charities share updates on their work annually. Our analysis draws on over 2,000 reports and formal and informal learning conversations during the *Reaching Further* strategy.

✔ External evaluation

We commission external evaluators to undertake independent assessments of the effectiveness of our processes. In this report, we particularly draw on an anonymous biennial survey of charities we fund, and applicants independently administered by the research agency nfpResearch.

✔ Research reports

The Foundation published several short outputs during our strategy that highlighted the work of our partner charities. We also commissioned external, independent research projects and contributed to research projects by other organisations.

✔ Internal evaluation

The Foundation undertakes direct evaluation of our funding and development support. Our approach includes regular analysis of our grantmaking database, surveys of charity partners that are supported by the Foundation, depth interviews and focus groups, and organisational capacity self-assessments.

✔ Learning partnerships

In some programmes and major individual grants, such as our collaborative work in six communities, the Foundation commissions a dedicated independent learning partner. These evaluators work with staff to facilitate learning. In this report, we draw on a learning partnership with the independent evaluator BrightPurpose.

The report was written by Alex van Vliet, the Foundation's Research and Learning Manager, with the input of colleagues from across Lloyds Bank Foundation.



Lesson 1:

Listen Actively

Making informed decisions as a funder depends on keeping a close ear to the ground: understanding the support and development needs of the charities we partner with, and the communities they work in. Funders work at arm’s length, so genuinely listening – and hearing honest opinions – about what charities and communities need depends on strong relationships and high levels of trust.



[The Foundation] listens to the charities it funds ... and aims to respond to their needs over and above funding.

Respondent, nfpSynergy research

What did we do?

The Foundation gains insight through grant applications and monitoring reports submitted annually by funded charities. They tell us about what is changing for the communities charities support, their most pressing challenges and how the sector could respond. We focus on qualitative data aimed at gathering intelligence from the frontline, rather than contract-style monitoring that requires organisations to narrowly account for the outcomes of their work, as we find this a barrier to building trust. Internally, this data is formally reviewed by the staff team every quarter. At the onset of the pandemic, it became immediately clear we needed much more rapid systems for listening and responding to charities’ needs.

Above: Basis Yorkshire, Leeds / £50,000 / Sexual Abuse and Exploitation

Below: Triangular, Gateshead / £50,000 and £30,000 / Racial Equity

The Foundation made three key changes to our way of working

Give structure and status to the insight we pick up through routine conversations and communications with charities we fund through our Regional Managers. We started by logging conversations, emails and feedback in a shared database to inform our response to the pandemic. By logging and sharing information picked up in routine contact with charities, structured data from monitoring reports, and external data and insight from partners like other funders and local and national infrastructure organisations, we were able to construct a picture of the situation on the ground.

Piloted flexible, agile approaches to monitoring: conversations with funded charities instead of written reports, and through intermediaries like the independent organisational development consultants who worked with a cohort of 149 funded charities and facilitators of peer networks for Chief Executives and emerging leaders of charities we fund. This experimentation led to a wholesale review of our monitoring approach, so we could bring the best of these approaches into our new strategy.

Introducing service design for new services and programmes – with a particular emphasis on our partnership work in communities, such as reforming homelessness services in Great Yarmouth or improving the outcomes for people living and working in Telford. Service design is a project planning methodology that emphasises co-production, with communities, service users and stakeholders at all levels involved in the entire life cycle of a programme or project.

[The Foundation] works with and totally understands local smaller discrete charities and champions their development with advice and support which is absolutely relevant to them.

Charity Partner



What did it achieve?

Listening as intelligence gathering is only the first step: we also have to act on the insights. During a period of profound uncertainty, improving the speed and integrity of our listening gave the Foundation the confidence to act.

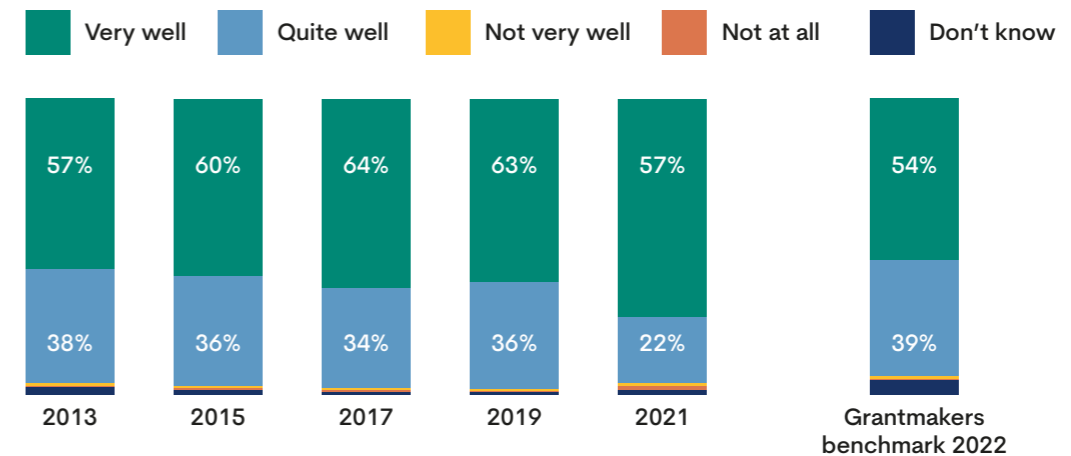
It provided a live understanding of changing community needs and how the services provided by frontline charities funded by the Foundation responded to those needs. Major themes were captured in a series of short publications authored by the Foundation and released during 2020 and 2021.

It shaped the short-term emergency funding, and medium-term support offers that underpinned our response to the pandemic, including making additional grants available to existing funded charities to cover the cost of adapting their services and premises to be Covid safe. The evidence helped us to frame conversations with our board of trustees about the efforts that were required in a way that was grounded in the voice of frontline charities.

Grounding our policy work in the immediate needs of small and local charities. This included advocating with government for the importance of supporting small and local charities to respond to the pandemic. Additionally, we commissioned independent research into the unique role of small charities in serving people most deeply impacted by the crisis including people who were already facing complex social issues or Black, Asian and minority ethnic communities. Being able to point to our 'constituency' gave weight to our arguments.

The effect of this was evident in our 2021 experience survey, 75% of funded charities said the Foundation understood their organisation and its aims very well – compared to sector benchmark of 54%. This has grown from 57% when the Foundation started collecting this data in 2013.

Q How well do you feel Lloyds Bank Foundation understands your organisation?



Recognition that our work is grounded in close listening to the needs of our charity partners helps build trust - which in turn has meant that the charities we fund have the confidence to take up additional organisational development support.

What did we learn?

Listening should be a regular exercise, but at times of change it is even more to do so actively and frequently. It can take many forms – informal can be as important as the formal, but multiple methods provide you the ability to compare and come to a rounded view.

Having existing structures, relationships and trust in place makes it easier to pick up when a crisis hits, but even in their absence the important thing is to start with listening: everything begins with asking what charities need.



I trust Lloyds. I know that they really evaluate and really listen to their grant recipients ... so that I knew that whatever they'd be offering through [the programme] would be aligned to our needs.

Charity Partner

Lesson 2:

Fund flexibly

Heading into 2018, our criteria and assessment process reflected an assumption that the operating environment for charities and the communities they served would be – for the most part – predictable. We looked for frontline charities with a strong track record of delivery and supported them to sustain those services for the people who needed them.

Today, our approach has shifted decisively away from a view that a grant partnership can be specified in advance and managed like a contract. We still look for charities with a clear mission, deep roots in their community and who understand and can describe their value. These are tested as part of our due diligence. Our model of funding and development support is directed towards building the underlying resilience of the organisation: the capacity to learn, improve and adapt to meet the current and future needs of their local community.

This shift increased the flexibility of our offer: investing greater trust in charities to allocate resources and deliver as they see fit over the lifetime of our funding partnership, alongside a programme of support that works with their ambition to learn and develop. We look for the charities where this model will add the most value.



For us as an organisation wanting to grow, with big ideas about how and looking for ways we could achieve that... finding a pot of money in effect, and the additional support that came with it, that could enable us to do that.

Charity Partner



What did we do?

Our shift towards greater flexibility began with *Reaching Further*, but the pandemic was a critical turning point. The volatility in circumstances for charities triggered a shift in mindset among staff and trustees and we quickly introduced a number of changes that we intend to continue in the long term:

Moved to offering unrestricted grants. In the first half of our strategy between 2018 and 2020, 38% of grants were towards the core costs of a charity, but 62% were restricted to a specific project. From 2020 onwards, all new grants through our main funding programmes are totally unrestricted.

Developed new, flexible support offers. Our covid-specific grants programme paired funding with the support of a dedicated independent Development Partner, an experienced organisational development coach. We provided grant funding to cover the additional costs of funded charities in adapting their work during the pandemic, such as hardware and software for remote working. We piloted new skilled volunteering programmes with colleagues from our funder, Lloyds Banking Group and developed a comprehensive training programme delivered to a network of peers focused on building organisational resilience.

Adapted our existing portfolio of capacity building support. This included making support for the resilience and well-being of staff and volunteers more accessible. Historically, our support was aimed at building longer-term capacity - not going in to an organisation and doing things for them, but giving charities the skills to do it themselves. However, in the midst of the pandemic we recognised charities needed support in the short term – to submit emergency funding applications, for example.

By investing in the resilience, capabilities and capacity of charities, we want to be clear that the Foundation's criteria does not bias towards innovation or experimentation. We are proud that our funding supports charities to deliver established, necessary services.

Left: Living Room, Stevenage / £50,000 / Addiction and Dependency

What did it achieve?

Foundation monitoring of the spending allocation of unrestricted grants indicates over nine in 10 charities used the grant to cover salary costs of existing or new staff members. Four in 10 used the funding to pay for essential overheads, like rent and utilities. One in five allocated the funding to their reserves.

Cost	%
Salary costs of existing staff member(s)	80%
Premises (e.g. rent, utilities)	40%
Salary costs of new staff member(s)	38%
Professional services (e.g. legal, insurance, accountancy, governance)	33%
Frontline service provision (non-salary costs)	30%
Organisational infrastructure (e.g., computer hardware, IT systems)	26%
Reserves	20%

The flexibility has been particularly important for me. And that recognition that you can only do so much at any one time.

Charity Partner



Unrestricted financial support has played a critical role in supporting frontline charities in a process of organisational change. Even where the funding element of the grant programme went directly into frontline services, the grant has played a role in enabling wider activity to build organisational capacity. The flexibility of an unrestricted grant underpinned the security and stability needed for charities to develop, enabling time and space for leaders' capacity for strategic thought.

Our support model was effective at building organisational resilience for charity partners. Using a self-assessment tool specially adapted for the fund, 90% of the charities we partner with increased the skills, resilience and capacity of their organisation during the first year of support from the Foundation. The trend was particularly clear in charities making gains in strategic planning, monitoring and evaluation and communications and marketing, where support brokered by the Foundation was most heavily concentrated for charities as they emerged from the pandemic.

	2021	2022	Change
A Mission and strategy	5.1	5.7	+0.6
B Service planning	5.4	5.9	+0.5
C Monitoring and learning	4.9	5.6	+0.7
D Partnerships & external relationships	5.3	5.8	+0.5
E Communications	4.2	5.0	+0.8
F Governance	5.3	5.6	+0.4
G Financial management	5.4	5.9	+0.5
H Fundraising	4.7	5.3	+0.6
I Administration	4.9	5.5	+0.6
J Human resources	5.1	5.6	+0.5
K Organisational culture	5.1	5.6	+0.5
L Executive leadership	5.1	5.6	+0.5

Average self-assessed score of organisational strength, out of a maximum of 7.

Left:
RAMFEL, London
/ £141,490
/ Asylum Seekers
and Refugees

Our organisational resilience programme led to three main changes for participating charities and their leaders:

- Reshaping the organisation for the future – in reflecting on their organisation’s purpose and people, the programme highlighted the need to restructure governance, staffing structure and skillsets to better achieve the charity’s purpose.
- Succession planning – many participants recognised they carry too much of the organisational load, and the programme helped them see a practical way to share responsibility now and in the future.
- Funding models to support long term sustainability. The pandemic revealed weaknesses in a number of participants’ organisational finances, and the programme enabled them to step back and examine different models for building more robust finances for the longer term.

The programme helped participants recognise what they needed around them to deliver, and gave them the impetus to make those changes.



What did we learn?

Investing in the resilience of a charity requires a holistic approach. If we want to support charities to become stronger – whatever that means for them – beyond the lifespan of our partnership, we need a portfolio of support that can be drawn on. A blend of financial and non-financial support, underpinned by strong relationships, can be more than the sum of its parts.

Even in a thunderstorm, it’s possible to fix the roof – through unrestricted funding and tailored capacity building offers, many charities were able to use the emergence from the pandemic to ask fundamental questions about their role and value, rebuilding their organisation from first principles.



Above:
 Handcrafted Projects, Gateshead / £50,000 / Homelessness
 Chinese In Wales Association, Swansea / £50,000 / Racial Equity

Left:
 Latin American Women’s Rights Service, London / £50,000 and £113,605 / Domestic Abuse
 The Vine Centre, Aldershot / £50,000 / Mental Health

Lloyds’ support programmes provide support for staff and the infrastructure of the charity in a way that funding alone would not do. Investment in our people with resources, programmes and other support is an essential part and has had a most significant impact on the charity and our growth.

Charity Partner

Lesson 3

Lighter touch doesn't mean less robust

The grant application process can be highly involved for any charity. At the start of our new strategy, we made a commitment to redesign the process to make it more human and relational, that mitigated the power imbalance and set the tone for a productive partnership.

That redesign process was accelerated by the pandemic, where we streamlined and simplified our application and assessment processes to distribute our funding with the urgency circumstances demanded.

Adopting less bureaucratic and more agile processes allowed the Foundation to move more quickly, adopt more risk-positive grantmaking without sacrificing the robustness of due diligence and the quality of learning.



Three to four years ago we started looking at risk, asking ourselves whether we were taking our fair share of risk (without ignoring the importance of good governance). We concluded we needed to take 'balanced risk', to work more as partners – to put ourselves in charities' shoes and, if we decided to fund them, offer them our unequivocal support.

Rennie Fritchie, Former Chair, Lloyds Bank Foundation for England and Wales



What did we do?

The Foundation made three main changes to our core grantmaking processes over this strategy period:

We streamlined the application process by moving from a two-stage application to a single expression of interest. The Foundation collects any additional information through an assessment conversation. This has cut the average time for decision making from around six months to a maximum of four months, and in some cases as little as six weeks.

Changed our appetite for risk. With the leadership and support of our trustees, we shifted our focus from identifying the 'best in class' to those charities that stand to benefit the most from our model of funding and organisational development support. Our assessment process introduced a scorecard that ranks the relative strengths and support needs of the charity applying. Decision making panels can then focus on discussing the applications with the highest development support needs and agreeing how the Foundation's support can best mitigate and manage any risks.

Substantially simplified the volume of information requested through our annual monitoring forms to focus on the most critical data for the Foundation's understanding of the situation on the ground. Most significantly, we no longer ask applicants to report back on data on the individuals they support. This has also meant, as in lesson 1, piloting new forms of collecting data: through conversations rather than written forms, and through intermediaries such as consultants working with the organisations we partner with, further reducing the bureaucratic burden of serving funders' needs.

Left: Rennie Fritchie, Former Chair, Lloyds Bank Foundation for England and Wales

Right: Cheshire Without Abuse, Cheshire / £90,440 / Domestic Abuse

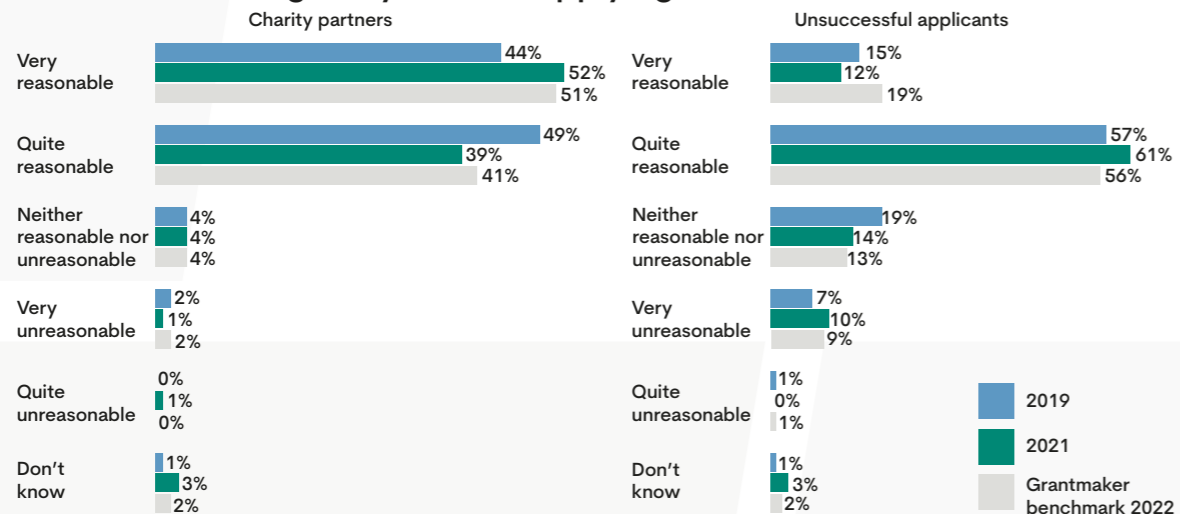


What did it achieve?

The impact of this change has been a reduction in how resource-intensive our grant application process is for charities. Compared to previous years, funded charities and unsuccessful applicants spend less time on the application. Many of the charities who applied for funding praised the application process for being accessible and easy to understand.

In our most recent feedback survey, a higher proportion of funded charities said that the process felt very reasonable for the size of the grant available.

Q How reasonable did the application process feel for the size of grant you were applying for?



A more progressive risk appetite means that we are now funding organisations that previously would have struggled to pass our due diligence, particularly with regard to financial stability, formality of some aspects of organisational practice (e.g. strategic planning) and approach to governance. Staff agreed that a higher trust process has not significantly diminished the quality and impact, and we continue to see a very low failure rate for the charities we partner with – 10 charities supported by the Foundation have returned their grant due to closure or merger during the strategy period.

The volume of information coming to the Foundation is now much more streamlined. Collecting less but more targeted data means we are no longer buried by information we don't have the bandwidth to make use of. This shift in the monitoring focus has been accelerated by the shift in mindset described in lesson 2.



What did we learn?

For the small and frontline charities supported by the Foundation, it is vitally important that application processes, decision making criteria and timelines are clear, accessible and human. Over the past four years the Foundation has been able to interrogate our approach from first principles – without sacrificing the robustness of our due diligence or monitoring.

An independent, anonymous survey of both successful and unsuccessful applicants yields more candid and critical views that you can't always guarantee by directly asking for feedback from charities. It functions as an important check against the power differential between funders and applicants.

The Vine Centre, Aldershot / £50,000 / Mental Health
 Basis Yorkshire, Leeds / £50,000 / Sexual Abuse and Exploitation
 RAMFEL, London / £141,490 / Asylum Seekers and Refugees



Lesson 4

Equity requires action

In 2019, the Foundation set out our ambitions for equity, diversity and inclusion (EDI) in a [standalone EDI strategy](#). That strategy reflected our understanding of the structural inequalities faced by many of the charities and communities that the Foundation works with, and committing to action around what we do, who we are and how we communicate.

The most visible aspects of our work on EDI have changed both who we fund and how, but the work has taken place alongside efforts to address our internal knowledge, skills and the make-up of our staff and trustees.

The disproportionate impact of the pandemic on Black, Asian and minority ethnic communities and the Black Lives Matter movement accelerated our choice to focus initially on racial equity. In choosing to shift the focus of our giving publicly, we recognised we were putting ourselves out there and expected to be tested from both sides.



What did we do?

The development of our equity, diversity and inclusion activity was led by an internal working group of staff from across the Foundation, later supported by a pair of independent consultants, Bonnie Chiu and Ngozi Lyn Cole.

Interrogated our existing portfolio. In 2019, the Foundation collaborated with Esmée Fairbairn, Power to Change and Barrow Cadbury Trust to develop the Funders for [Race Equality Alliance's audit tool](#). We used this to review a sample of our existing grants portfolio to better understand how we were distributing our funding broken down into different stages of the process. This data showed our existing processes were putting charities led by-and-for Black, Asian and minority ethnic communities at a disadvantage in bidding for our funding. Working with trustees, we decided that to achieve a step change in our approach we had to commit to an end outcome – we ring-fenced 25% of our grant budget for charities led by-and-for Black, Asian and minority ethnic communities. We worked with second tier organisations to widen our outreach strategy. From summer 2020 onwards, we introduced a specific strand of funding for racial equity.

Improved our data collection. We introduced structured monitoring to understand the leadership of applicants and the communities they served in 2020. Began to implement the DEI Coalition's EDI Data Standards so that from September 2022 onwards the Foundation can collect a fuller profile of our applications.

Building our internal knowledge and culture around equity, diversity and inclusion. The Foundation has incorporated workshops for staff, the senior leadership team and trustees, training and evidence reviews of the intersection of EDI issues and the Foundation's funding priorities. Over the past two years, we have hosted external speakers and convened conversations on disability, faith, race, gender, sexual orientation and age.

Review of our staffing and governance – from our recruitment and professional development practices to the composition of our board of trustees and their skills and experience.

The Foundation took legal advice around the equality act and positive action, to ensure we were acting within the law.

RAMFEL, London / £141,490
/ Asylum Seekers and Refugees

The Harbour Project,
Swindon / £140,547 / Refugees
and Asylum Seekers

What did it achieve?

This work has not always been easy or straightforward, but it has been a process of whole-organisation transformation.

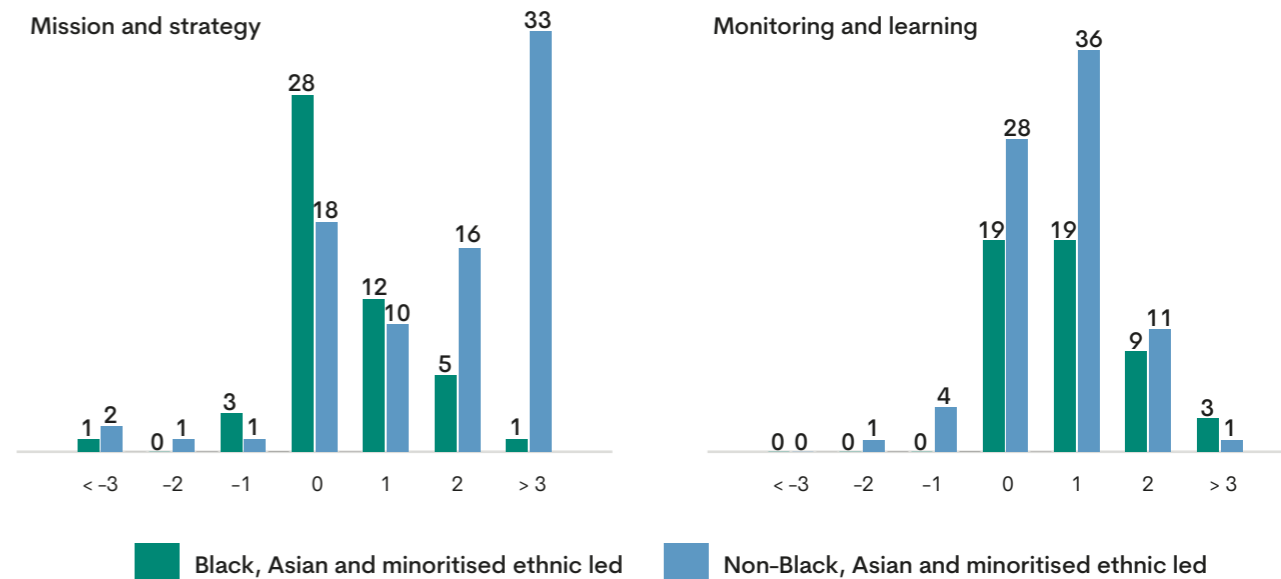
In 2022, we are funding far more charities led by-and-for Black, Asian and minority ethnic communities. Using the Funders for Race Equality Alliance’s audit tool, to conduct an audit of our entire funding portfolio in 2019 and 2022 we found that the proportion of our grant portfolio made to charities whose mission is primarily to serve Black, Asian and minoritised ethnic communities doubled from 13% to 25%. The proportion of those grants made to organisations led by-and-for (where 75% of trustees and leadership are Black, Asian or minority ethnic) quadrupled from 4% to 16%. However, in a grant programme specially aimed at funding infrastructure organisations, we narrowly missed our target of funding 25% Black, Asian and minority ethnic-led charities.

As the share of our portfolio has grown, the Foundation has paid attention to the suitability of our model of development support for Black, Asian and minority ethnic-led charities. Evaluation of the impact of our support on the organisational capacity of partner charities showed that Black, Asian and minority ethnic-led organisations made less progress than others in the portfolio. This was particularly acute among the charities with the lowest income within our bracket, who struggled with their capacity to engage with consultants. Analysis of self-assessed organisational capacity showed Black, Asian and minority ethnic-led charities were less likely to make improvements in their strategic planning, but comparatively greater gains in their monitoring and learning practice.



We were sceptical about the support and consultants. Because historically, we haven’t had very successful engagements with consultants. Personally, because we’re a small charity, we are expected to do more to be more professional ... But sometimes we feel like we know what to do. But people are parachuted in to come and tell us what to do. And only to kind of tick boxes. And when they leave, we go back to our troops.

Black, Asian and minority ethnic -led charity partner



What did we learn?

Equity cannot be achieved without action and change needs to be for the long term. The Black Lives Matter movement accelerated a change in our funding approach and criteria – and a public commitment to an outcome - but it was recognising the positive changes made to our impact that gave us the confidence to continue our work in a way that will drive further positive change. In choosing to do so publicly, it is important to anticipate challenge from both sides.

Not all aspects of our support model work as effectively for Black, Asian and minority ethnic-led charities. We have already started to address gaps in the skills and experience of support providers in our portfolio. We need to plan for how we use our resources to support the wider system, and not just charities on the frontline.



Gateway Into
The Community,
Hexham / £50,000
/ Learning Disability

Lesson 5

You can't do it alone

For many small and frontline charities, the early stages of the pandemic catalysed a radical transformation of local partnerships and collaborations. Public bodies, infrastructure bodies and larger charities recognised the vital role of small charities in reaching the most vulnerable quickly, and two years later many of our funded charities report that increases in their influence within their community have been sustained. The emergency prompted more and better collaboration.

For grantmakers, collaboration does not always come instinctively. One of the most significant assets of Foundations – our independence – can incentivise going it alone. As for the charities we support, the onset of the pandemic quickly revealed limitations of that mindset, and the interdependency of the sector. Collaborations that started as informal intelligence sharing in networks of grantmakers and infrastructure organisations led to formal and informal partnership working of all kinds, unlocking a joint response that helped organise and deliver support to frontline organisations.



What did we do?

The Foundation entered into pooled funding with other grantmakers. During 2020, the Foundation was successful in applying to the Department for Digital, Culture, Media and Sport's Community Match Challenge programme in order to leverage an additional £5m of matched funding for frontline charities. We also awarded funds on behalf of the Health Foundation.

The Foundation worked with the national infrastructure membership bodies for charities – NVCO, ACEVO, ProBono Economics, CFG and others – to present a united front to government for civil society through the #NeverMoreNeeded Campaign. The Foundation was the only funder in this partnership, which meant that we were able to represent not only the views and needs of the small and local charities we partner with, but also the grantmaker perspective.

We collaborated with other funders, including assessing applications on behalf of other funders to deliver grants at speed – including the Wales Community Foundation and the London Community Response fund co-ordinated by London Funders. We brokered access to the Foundation's portfolio of development support for frontline charities working with refugees and asylum seekers through the Respond and Adapt programme coordinated by Refugee Action.

Alongside a group of other funders, we supported the Association of Charitable Foundations to build the Funders Collaborative Hub, a network, set of resources and good practice that can help connect funders with shared goals. This recognises that not all funders can or should do the same things – and indeed that there is power in loose ties – but that a shared understanding of roles and assets can help us to better align our work.

In six communities across England and Wales, we worked locally in a different way: to bring people who live and work in a community together to tackle the societal issues they most wanted to change. Crucially, this was not through leading with funding, but through facilitation, convening and critical friendship. The ability of the Foundation to encourage, sustain and manage relationships with local partners who are sometimes in conflict was critical to the journey. This approach helped us answer the critical learning question: what works and what doesn't, in stimulating and supporting lasting societal change?

Latin American Women's Rights Service, London
/ £50,000 and £113,605
/ Domestic Abuse

What we achieved

Our partnership funding with DCMS allowed us to reach 135 charities with core funding in the winter of 2020/21, giving them the capacity to sustain a blend of in-person and remote delivery of their support, alongside additional services to tackle food poverty, isolation and mental health. Because the Foundation was able to act as the primary grantee and use information we already held on charities, we could carry the administrative burden, rather than pass all of this onto the funded charities at a time of extreme pressure for frontline organisations. This was much appreciated by the charities.

The #NeverMoreNeeded campaign helped to raise the profile of the critical role of civil society in responding to the first wave of the pandemic and build evidence for a package of support from Government that recognised the distinctive situation of charities as they differed from the private and public sector.

The independent evaluation of our work in six communities identified five main impacts of the way in which the Foundation collaborated with local partners to work towards improving services, opportunities and potential of local people:

- Creating space and conditions to think differently
- Skills and expertise not available within the local system – introducing ideas, models and evidence from elsewhere
- Independence and an outside perspective – ability to see local assets, rather than the deficits often prioritised locally
- Connection to the other communities to share learning
- Vote of confidence – they’re worth supporting and they can make change happen

However, the evaluation also identified that building trust with communities and the subsequent pace of work had been slow, particularly given we actively selected communities where civil society had suffered from under investment. It identified the need to evolve our relationship with community partners so that the Foundation can provide constructive challenge when needed without diminishing trust or exerting inappropriate power.



What we learned

Collaboration takes many forms – pooled funding is the tip of the iceberg. Being open to a wide range of partnerships – and being vocal about being open – has helped the Foundation forge alliances with partners and sectors we couldn’t otherwise have reached.

Partnership working is possible without compromising your integrity. Early clarity on how any partnership aligns to our own strategy allowed us to qualify partnership opportunities that don’t lead to mission drift. We don’t always have to be in from the start – where we’re a junior or supporting partner in a collaboration, understanding where our knowledge, perspective, networks and role adds value helps us to put our ego to one side.

Asylum Link Merseyside,
Liverpool / £50,000 / Asylum
Seekers and Refugees

African Community Centre,
Swansea / £50,000 / Asylum
Seekers and Refugees

Lesson 6

Relationships unlock progress

Relationships sit at the heart of the Foundation’s work. The strongest partnerships between grantmakers, funded organisations and communities are a meeting of equals: in both directions, the relationships combine support and challenge.

In the early stage of the pandemic, the emergency work of the Foundation focussed on support: stabilising organisations at risk of closure. In emerging from the crisis, the strength of relationships allowed our capacity building offers to move from support to stretch and positive challenge. For this to work depends on high degrees of honesty and trust.

For individual leaders, burnout is an ever-present risk. The adrenalin that drove the extraordinary transformation of charities during the early part of the pandemic has long worn off, and we have seen a growing portion of CEOs in our portfolio retire, career-switch or initiate a process of succession planning with their board of trustees.

Our ability to support charities to navigate these challenges – and particularly their leaders – depends on a strong relationship. Strong relationships mean charities are able to be honest about what they really need. If we can build trust early, the better chance we have of being able to respond effectively.



During some of our darkest days, our Regional Manager has been a great source of support to me, in what is a very isolated position. He has mentored me, kept me sane and encouraged me tirelessly, always there when needed.”

Charity partner



What did we do?

Within a portfolio of 148 charities funded by the Foundation, each was paired with an experienced organisational development consultant, tasked with working with the charity to build their resilience as they emerged from the pandemic. Although the support was deliberately open ended, the majority of Development Partners took a coaching and mentoring role with the CEO, with the emphasis blending personal and professional leadership development.

We facilitated 24 peer networks for the staff of partner charities, with a particular focus on the Chief Executives of those organisations. The popularity of networks exploded during the pandemic, with many seeing the highest level of engagement in 2020 as leaders sought the support and advice of peers during a period when they felt isolated with the pressure to provide direction and certainty above to trustees and below to staff and service users. Remote delivery democratised access to these networks, with the end of ‘travel time’ meaning many charities – especially those in rural locations and transport deserts - much more likely to engage and benefit.

A growing share of our development support for funded charities was focussed on the well-being of staff and leaders. It included packages specifically developed in response to the pandemic, delivered through partners like Bird Resilience.

Scotswood Natural
Community Garden,
Newcastle / £107,345
/ Mental Health

South West Community
Chaplaincy, Exeter
/ £50,000 / Offending

What did it achieve?

Having strong relationships and trust in place with charity partners made it easier to move from listening to action with the speed the situation demanded. Relationships underpinned a trust in charity partners to tell us exactly what they needed, which gave us confidence to move forward with the Foundation's response to the crisis.

Relationships underpinned support for organisational transformation. Coaching and mentoring from consultants and volunteer colleagues from Lloyds Banking Group to charity CEOs led to tangible improvements, attributed by many to greater confidence in their own abilities to lead. Those receiving support pointed to changes in self-confidence and decision-making style, which informed actions impacting staff and beneficiaries. Having a confidante that they trusted to provide honest and informed feedback empowered them to be braver in their ideation, and more assertive with staff and board members in leading and championing change.



I didn't feel that I had to pretend everything was fabulous in my organisation when some things needed attention

Charity partner

What did we learn?

The strength of relationships with charity partners is the foundation of the impact of our support. That means building trust at the earliest possible point. But moving from a relationship of applicant and assessor to a partnership of equals is not easy. Unrestricted funding is the commitment that provides the basis for a high trust, good faith conversation about partners' needs and the support we can provide.

Relationships aren't one-to-one – one of the strongest assets as a funder across England and Wales is our ability to build links between charities facing similar challenges. Sometimes this can be done formally – through our Action Learning Sets, or cohort training programmes like the School for Social Entrepreneurs – or in the day-to-day work of Regional Manager in spotting links and brokering introductions.

Having that coaching and mentoring from [my development partner] really helped to just build the confidence and you know, to assert myself and then to say, you know, this is the direction which we are going.

Charity partner



Above:
Amazing Grace Spaces,
Newport / £50,000
/ Homelessness

Triangular, Gateshead
/ £50,000 and £30,000
/ Racial Equity

Lesson 7

Acknowledge your trade-offs

As a non-endowed grantmaker, our income – and the level of support we can offer the sector – is dependent on the profitability of Lloyds Banking Group. In 2020, the Foundation faced a high degree of uncertainty in our financial position, so we had to cut our cloth accordingly – balancing our existing funding commitments while remaining open to new applicants.

As a result, we had to make some difficult decisions as what to prioritise. Being open about these trade-offs with charities helps to set expectations and build trust, even when it means disappointments for individual charities.



What did we do?

Our grant application processes allowed us to sift applications more quickly and say no earlier and more decisively to charities with a weak fit for our funding priorities. As part of our shift to a single expression of interest and moving to offer unrestricted grants, the volume of applications to our funding programmes increased significantly. Foundation grants officers had to prioritise those applications with the clearest fit for our criteria and from charities that were judged to benefit the most from our blend of financial and non-financial support. This meant that, for those who clear the first sift, the success rate is 79%. However, for the majority of unsuccessful applicants, it was an impersonal experience, with no contact with Foundation staff.

In an effort to balance our commitments to charities we were already funding while remaining open to new charities, we reduced our offers of continuation funding from three years to one. We also took the decision to commit only one year of funding to those charities who had applications in progress when we paused to new applicants shortly after the onset of the pandemic. When we reopened for applications in routine rolling grant making rounds in 2020, we were only able to offer commitments of two years' funding. This was against our commitment at the start of the strategy period to longer term funding relationships.

A one-off funding programme to cover the exceptional costs of adapting services and premises to be Covid-safe doubled the number of grants the Foundation made in a typical year, but was only open to charities who had an active grant from the Foundation.



Above:
Asylum Link Merseyside,
Liverpool / £50,000 /
Asylum Seekers
and Refugees

Amazing Grace Spaces,
Newport / £50,000
/ Homelessness

Left:
Handcrafted
Projects, Gateshead
/ £50,000
/ Homelessness

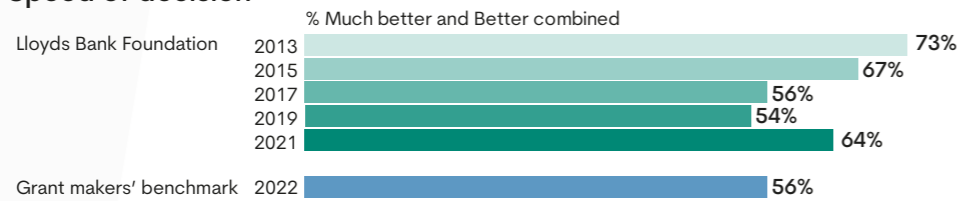
What did it achieve?

The commitment to an early no has had two main impacts:

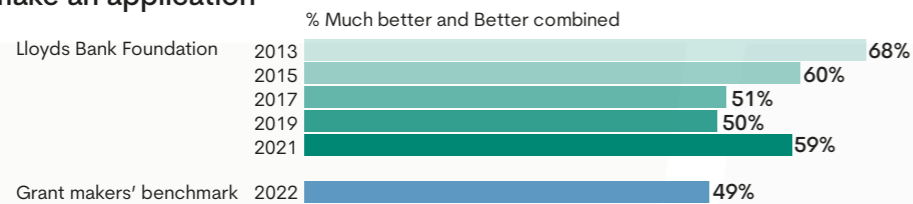
Firstly, unsuccessful applicants spent much less time on preparing their application and received a decision much more quickly. For the first time, the Foundation outperformed the benchmark of other grantmakers for the speed of our decision and length of time it took to make an application.

Q When you think about your experience of applying for and getting a grant with Lloyds Bank Foundation, how would you say they compare with other grant-makers?

The Speed of decision



The length of time to make an application



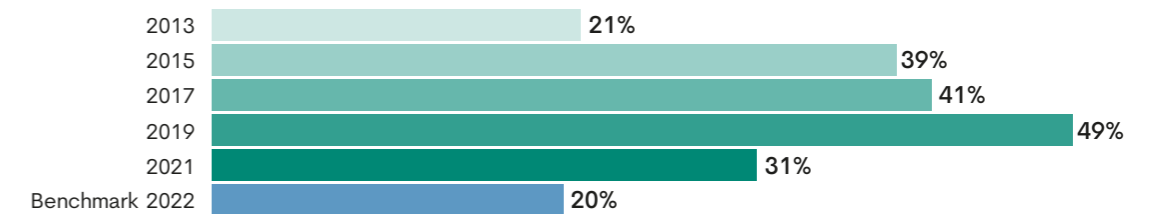
Secondly, overall satisfaction with the process among unsuccessful applicants declined, with a particular concern around the quality of feedback given. By focussing our efforts on building relationships with those applicants, those who did not clear the first hurdle were less likely to feel they were given a fair hearing and did not feel as understood.

To some extent, these changes were the foreseen consequences of our decisions: the Foundation is satisfied that the benefit of reducing the amount of time unsuccessful applicants spend on preparing their expression of interest outweighs the harm of a more impersonal experience.

By consciously reducing our commitments to our existing portfolio, we were able to remain open to new applicants. For grants in open programmes made after the onset of the pandemic, 54% of new grants were made to charities who had not previously received funding from the Foundation. This was not without cost. From routine monitoring at the end of grant relationships, a proportion of funded charities who received a shorter than expected continuation commitment were unable to find resources elsewhere to sustain a service.

Q Did you receive any feedback on why your proposal was unsuccessful?

Yes and it was useful



Yes but it wasn't very useful



What did we learn?

Demand for support from the Foundation far outstrips our resources. Being open about where we have made trade-offs and the constraints on our own resources means that we are able to set expectations both for the charities we already support and potential applicants.

No grantmaking process will be perfect. Efforts to improve our processes for some have had negative impacts for others in ways that were, to some extent, foreseeable in our programme design. The impact can be intentional: but being clear that benefits will outweigh costs – and monitoring that impact – helps to keep trustees, staff, applicants and our charity partners on board.

Lesson 8

Make use of all your assets

The Foundation’s strategy has three pillars – funding, development and influence. Although within each we run a range of activities that operate as standalone projects, our work is the most impactful when all three pillars are directed towards a common goal.

As much as the pandemic accelerated external collaborations (see lesson 6), internally the shift to remote working carried with it the risk of departmental silos. Mitigating that risk has required conscious effort from the whole organisation, particularly as we went through a process of planning our new strategy.

What did we do?

Upgrade our internal infrastructure for remote working – enabling better collaboration and information sharing within the Foundation to minimise the risk of siloed working, including the establishment of weekly all staff calls, shifting our internal document and knowledge sharing to cloud-based working and Teams and building a data architecture in our Salesforce database that enables new insight into our grant portfolio.

Evidence of the work of our charity partners underpinned our advocacy to government on how they should shape their support for frontline organisations, for example our reports on charities responding to Covid. The launch of independent research into the distinctive role and contribution of small, frontline charities in responding to the first wave of the pandemic, *The Value of Small in a Big Crisis*, featured a contribution from then Minister for Civil Society, Baroness Diana Barran MBE.

Leveraged our relationship with Lloyds Banking Group. In addition to launching new skilled volunteering partnerships (see lesson 2), we also worked directly with the Group, connecting them to the expertise of Foundation charity partners to support their response to vulnerable customers, such as victims of domestic and financial abuse.

Directly funded local infrastructure organisations, through a standalone grant funding programme targeted to infrastructure charities that support small and frontline charities working in areas of high deprivation, and those working specifically with for Black, Asian and minority ethnic-led charities. Two years of unrestricted funding was paired with the support of an organisational development consultant.



Keep up the good work of lobbying and campaigning for policy change as this has a direct impact on the people we work with and therefore on us as charities.

Charity partner

What did it achieve?

The Foundation has a much better view of how the different strands of our work contribute to impact at aggregate within the sectors where we have pursued work under each of our ‘pillars’ – funding, development and influence. Our national influencing grants programmes, such as work we have funded towards reform of the criminal justice system, works alongside our direct grantmaking for frontline charities and we have been able to involve charities in research and policy activities, knitting together the different strands of the Foundation’s approach.

Our welfare influencing programme was initiated after listening to charities on the drivers of multiple disadvantage.

What did we learn?

As with our model support for individual charities outlined in lesson two, having a breadth of skills and experience within our staff team gives us access to a broad portfolio of tools that enable the Foundation the flexibility to bring a different approach to bear on the problem at the right time.

Latin American Women’s Rights Service, London
/ £50,000 and £113,605
/ Domestic Abuse

Conclusions

In sharing these eight lessons we acknowledge that it may not be possible or pertinent for everyone to apply them to their own organisations. Nor do we believe that we have all the answers, indeed, we will continue to adapt as we learn from our new strategy. But we encourage others to think about the core principles and how they relate to their own organisations as we think the results have been better for us and those we serve.

The past five years have tested the charity sector in ways that were unthinkable when we launched *Reaching Further*. The best of the civil society response needs to become business as usual. Grant-makers have a rare privilege in our power and resources, and it is incumbent on us to deploy them with the needs of frontline charities and the communities they support at the forefront of our approach.

The impact of our response has been rooted in connections forged with charities. By listening, resourcing support where needed and caring about the outcome, we can show that as a Foundation, we have a stake in the success of charity partner's work. Conversations with charity leaders have been at times emotional and demonstrated the real human cost of the crisis.

In our efforts to be as responsive as possible to the needs of charities, we had to pivot our strategy. This had consequences for our staff team who were under a huge amount of pressure to deliver changes that would normally take considerably longer. We heard much about charity burnout, but we also felt it ourselves.



All of this led us to understand that our real impact was not on the people that charities support but rather our impact on the organisations themselves, helping them to build resilience into their business models. Evaluation of our impact in future will require whole organisation – and sometimes whole system – approach.

This shift underpins much of our new strategy. We will be focusing on how each part of fund, develop, influence interacts with each other and how in turn charities interact within an eco-system working for and against change, impacting positively and negatively on people's lives. Through collaboration, relationships and flexibility we will seek to align efforts to pull in the same direction, leading to more positive impact than negative.

As we gear up for the next challenge, we encourage other grantmakers – and those who support small and frontline charities – to redouble their efforts to build the resilience of civil society.

The Harbour Project,
Swindon / £140,547
/ Refugees and
Asylum Seekers



We really value how flexible and supportive the Foundation has been, not just in relation to this grant but more generally in the way you have supported the sector during a year of unprecedented change and uncertainty. I would like to thank the Foundation for its approach.

Revolving Doors, awarded a grant of £210,952 under our Criminal Justice grants programme

We're an independent charitable foundation funded by Lloyds Banking Group. We work in partnership with small and local charities, people and communities, changing lives and working towards a more just and compassionate society.

The needs and aspirations of people drive our work. We strengthen the small and local charities that support them and the communities they live in, and advocate for a better future.

Through unrestricted funding, support to develop and influencing policy and practice we help small and local charities thrive, communities grow stronger, and people overcome complex issues and barriers so they can transform their lives.



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