

Making your case for unrestricted funding: Advice for charities

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By:



Introduction

The Institute for Voluntary Action Research (IVAR) and Cranfield Trust have come together to create a guide for charities¹ looking or applying for unrestricted funding. This resource pulls together key messages from the breadth of our work on unrestricted funding, for crafting strong funding applications and for supporting charities to be 'funding ready'. We know from our conversations with charities that unrestricted funding is important and would make a huge difference to them, but questions remain around how best to make the case to funders.

Definitions

Unrestricted funding:

These are funds that can be spent or applied at the discretion of the trustees of a charitable organisation to further their charitable purposes and mission. These funds do not come with conditions on how the organisation should spend them.

Other terms sometimes used to describe unrestricted funding, especially in international contexts, include 'flexible funding' and 'general operating support'.

Restricted funding:

These are funds that can only be used for the purpose specified by the donor, whether this is a private individual, business, or trust/foundation. The restrictions may be declared by the donor when making the gift, or they can result from the terms of a charity's appeal for funds. In the UK, restricted funding carries the weight of trust law, placing a binding legal obligation on charity trustees to spend funds per the restriction. Restrictions can take many forms, but they typically include specifying activities, budgets, outputs, outcomes, and reporting requirements.

¹ We use charities as a shorthand for all kinds of social sector organisations, from unincorporated community groups to social enterprises.

1

Be aware of the context

Funders are increasingly receptive to initiatives and research that call for meaningful changes to their practice, with more of a focus on grantee experience. 105 trusts and foundations across the UK have joined IVAR's Open and Trusting Grant-making movement, each of them signed up to eight commitments to managing grants and relationships in a way that reflects their confidence in, and respect for, the organisations they fund.

This includes Commitment 4:

***Enable flexibility:** We will give unrestricted funding; if we can't (or are a specialist funder), we will make our funding as flexible as possible.*

We know how important this is for charities. In IVAR's 2022 Funding Experience Survey, completed by 1,200 organisations, 88% agreed or strongly agreed that:

'Giving us unrestricted funding – money that we can spend on anything within our charitable objects – would make a huge difference to our ability to respond to changing circumstances and the things that matter most to our community/cause.'

If you are applying for funding from a grantmaker in IVAR's Open and Trusting Grant-making community ([check here](#) to see if they have joined), remind them of Commitment 4 and why it matters to you. And if they haven't joined yet, tell them about the initiative and the grantmakers who are moving towards more flexible funding.

2

Talk to your funders

‘Most charities don’t ask for unrestricted funding because they think funders are more likely to give a grant for something specific.’²
(Jan Garrill, Two Ridings Community Foundation)

However, in the context of the Open and Trusting movement, and funders becoming more sympathetic and responsive to the benefits of unrestricted funding, take the initiative and talk directly to existing or prospective funders about it. Many charities don’t feel that they can call funders before making an application – but many funders welcome an initial conversation. And you may be surprised by how willing they are to think differently:

‘Sometimes an organisation comes with a specific project, but we will go back and say we’re not that keen on the project but could make a contribution to general costs. This stems partly with a project – a new idea or new approach, an ‘innovation’ – when what they really want is a general contribution.’
(Tim Cutts, Allen Lane Foundation)

In these conversations, make sure you have information at your fingertips:

- Some short, simple statements about the purpose of your organisation (why you do what you do), and your activities (just a couple of sentences)
- Why you need funding – what will unrestricted funding help you to do?
- Your financial position – your current sources of income, your funding gap/need for funding, your unrestricted reserves

To help develop these, you might like to take a look at Cranfield Trust’s webinar on [‘Investability’](#) and on [cashflow forecasting](#).

² All funder quotes taken from: Firth, L., Cairns, B., Hopgood, R. and Rooney, K. (2022) [The holy grail of funding: Why and how foundations give unrestricted funding](#). London: Institute for Voluntary Action Research.

3

Strengthen your case for unrestricted funding

As well as a growing movement of funders committing to unrestricted funding, there is also a growing body of evidence in support of it. When you are talking to funders about unrestricted funding, or submitting applications, you might want to draw on or cite this research. First, IVAR's review of the research on the rationales for restricted funding concluded that:

'Restricted funding has not earned its place as the dominant funding model.

The evidence review makes it clear that funders' preference for restricted funding "because it delivers" rests on familiarity, not on evidence.'

Second, the evidence shows that the benefits of unrestricted funding are compelling for all and becoming increasingly difficult for funders to ignore:

'The argument that unrestricted funding supports stronger organisations stands on a firm footing. There is good evidence that it:

- *Improves their strategic planning and helps them to implement their plans, leading to improved performance and delivery against objectives.*
- *Enables them to invest in management and administration and to make their own judgements about priorities in these areas.*
- *Helps them cope with fluctuations in project income, practise strategic reserves management³ and become more financially stable.*
- *Gives them more scope to use their staff and volunteers efficiently, to manage them well and invest in their development.*
- *Reduces the costs of funder compliance and allows them to focus on more meaningful data collection and reporting.'*⁴

As well as citing this evidence to support your need for unrestricted funding, be ready to include full costs in your application: you may want to use a full cost recovery model for your different services (by allocating core costs against different activities), or include management and administration costs in your application, describing how they are essential to support frontline services.

Resources to help you include '[Top 10 tips for monitoring your charity's financial performance](#)'. Cranfield Trust also provide free [management consultancy](#) to help with business plans and other activities.

³ Mills, C., Hopgood, R. and Cairns, B. (2022) [Thinking about charity reserves](#). London: Institute for Voluntary Action Research.

⁴ IVAR (2023) [Making the case for unrestricted funding: A summary of key points for foundation staff and Boards](#). London: Institute for Voluntary Action Research.

4

Make your application

‘We are contributing to the totality of an organisation’s work and evaluating impact isn’t just about a single project or activity.’

(Philippa Charles, Garfield Weston Foundation)

‘We are funding the whole organisation and we look at the overall performance of that organisation.’

(Paul Streets, Lloyds Bank Foundation for England and Wales)

Unrestricted funding is funding for the totality of your work: that is what funders are interested in, and when they can understand and engage with the full picture of your work, they are more likely to invest in and commit to you.

Writing a business plan is an excellent way to prepare for an application for unrestricted funding: developing a plan that clearly sets out where your organisation is now, where you are going, and how you’re going to get there, gives you the information you will need for raising unrestricted funds.

A strong business plan should include a narrative describing your ambitions, the change(s) you are seeking to make in your community, as well as the impact you have already been able to make in people’s lives; it should also have your story in numbers – financial information, and importantly, forecasts.

To help you write your plan, Cranfield Trust have put together some [resources](#) on business planning, and suggest a [webinar](#) – or contact Cranfield Trust about their [free consultancy](#).

Get in touch

For charities wanting to hold funders to account or participate in research that encourages positive change in funder practices, join IVAR's [newsletter list here](#).

You will receive invitations to events and links to our research, as well as being kept up to date on the progress in the [Open and Trusting Grant-making](#) movement. Follow IVAR on [Twitter](#) and [LinkedIn](#) for the latest publications and news or visit our [website](#).

For pro bono management advice, training and professional support, go to [Cranfield Trust's website](#) and follow the charity on [Twitter](#), [Facebook](#) or [LinkedIn](#) for the latest developments and webinars.

Further reading

[Getting the basics right: Findings from the Funding Experience Survey](#) (IVAR)

[The holy grail of funding: Why and how foundations give unrestricted funding](#) (IVAR)

[Evidence Review: Why restrict grants](#) (IVAR)

[Making the case for unrestricted funding: A summary of key points for foundation staff and Boards](#) (IVAR)

[Essential Fundraising Questions for Charity Leaders](#) (Cranfield Trust)

[Questions to ask when you're building your charity business plan](#) (Cranfield Trust)

[Controlling Cashflow at a time of economic uncertainty](#) (Cranfield Trust)

[Charity Guide to Finance and Accounting Systems](#) (Cranfield Trust)