



Core Funding

Findings from the Youth Fund evaluation

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Overview

Renaissi were appointed to evaluate Paul Hamlyn Foundation's Youth Fund in June 2016. This is the first of three published papers to share learning on key themes:

1. **Core funding** (this paper)
2. [How organisations have sustained and grown their impact](#)
3. [Asset-based working with young people](#)

We will also publish an [Executive summary](#) of key findings across all themes explored in the evaluation.

About the Youth Fund

The [Youth Fund](#) launched in 2015 to provide core funding for organisations whose main purpose is to help young people (aged 14-25) in the most precarious positions, where making the transition to adult independence is most challenging. Organisations must work with young people experiencing disadvantage in a way that recognises and builds on their strengths and potential, which Paul Hamlyn Foundation refers to as an 'asset-based approach'. Eligible organisations can apply for up to £60k of funding over two years.

Between 1st June 2015 and 1st June 2019, the Youth Fund had provided 129 grants worth a total of £7.5m. The Fund is still open to new applicants.

The Fund's criteria are broad. Any not-for-profit working in the UK can apply, if their income is at least £25k and below £5m, and if they have a minimum of one year's audited accounts. The Fund supports a broad range of organisations working with and for the benefit of young people across different sectors, demographics and themes. Second-tier organisations, as well as organisations working directly with young people, can apply.

As a result of these criteria, the Youth Fund cohort shares similar values and a commitment to 'asset-based approaches', but is very diverse in terms of the type of organisation, size, age, geographic location, and young people worked with. This matters, because it means that these organisations are using their core grant in a wide range of different contexts, and to pursue different organisational needs at different stages of their development. How organisations use the funding, and what it achieved, is therefore highly diverse.

This paper explores:

- The context of core funding in the youth sector
- Why Paul Hamlyn Foundation chose to offer core funding
- How organisations used the core funding provided by the Youth Fund
- What that funding enabled them to achieve
- Organisations' feedback on this core funding approach

Core funding and the youth sector

Core funding is funding that can be spent on an organisation's core functions, for example senior management salaries, communications, operations, governance, income generation, or other spending that is not project-specific.

Core funding is far from new, but increasing numbers of funders are taking an interest in response to calls from charities for more core support. The proposed benefits include strengthening back-office functions to improve efficiency, enabling flexibility and responsiveness to change, and helping organisations to be more strategic.¹ Esmée Fairbairn Foundation's recent insights report on the topic highlights that core grants can help to attract other funding, and enable organisations to evolve, develop and improve their work.²

Organisations funded by the Youth Fund that we spoke to feel that core funding is still rare in the youth sector, which tends to be dominated by funding to achieve specific outcomes or to deliver specific projects.

“What we needed was core funding, and hardly any other funders do that.”

“Right now there is a real struggle for core funding for everybody, I think...”

“Most other funding is not core, they want outcomes, youth-related outcomes...”

“If I look at the large funders in our sector, I could count the core funders on one hand.”

Why did Paul Hamlyn Foundation choose to offer core funding?

The Youth Fund was designed based on a consultation in 2015 with youth sector stakeholders, who argued that core support was badly needed in the context of other funding cuts. The Foundation responded to this feedback, believing that core funding would be an effective way of strengthening the sector. In effect, these beliefs are the Foundation's hypotheses about the benefits of core funding:

1. Core funding will enable organisations to take stock and be more strategic in their work
2. Core funding will enable financial stability and security, so that organisations can do more than just tread water
3. Core funding will enable organisations to build their internal capacity and develop organizationally

¹ *Thinking about core funding*, IVAR (the Institute for Voluntary Action Research), 2013. Available [here](#).

² *Insights on core funding*, Esmée Fairbairn Foundation, 2019. Available [here](#).

4. Core funding will enable organisations that already work in an asset-based way to further develop their impact for and with young people

Our evaluation used qualitative methods to explore the extent to which core funding achieved these ambitions, with a sample of 20 organisations funded by the Youth Fund. Not all funded organisations have achieved all of these things. However, across the cohort, there is evidence to support all four of these hypotheses.

Type of funding available

The Youth Fund provides restricted core grants to organisations that meet the Fund's criteria. Broadly, restrictions limit the grants to be spent on an organisation's strategic development (e.g. the Foundation does not provide capital funding).

Organisations are required to set their own strategic objectives, usually three or four, that they will use the funding to work towards. These objectives are typically high-level and the Foundation does not have pre-defined outcomes that it expects organisations to achieve.

The funding can be spent on any revenue or equipment costs to support the organisation's objectives, including salaries, training costs, IT systems, consultants, rent, website, or any other overheads. The funding cannot be spent solely on delivering a specific project.

How did organisations use their core grant?

Broadly, organisations used their core grant to focus on one or more of the following strategic priorities. These align well with the Foundation's ambitions for the Fund:

1. Focusing on strategy, not operations

- Freeing up senior time to focus on strategic development work, by:
 - a) Reducing time spent applying for multiple other sources of funding in an effort to cover core costs
 - b) Paying for an operations manager post, or similar, to take internal operational matters off the CEO

2. New approaches to income generation

- Investing in the organisation's income generation capacity, by:
 - a) Paying for a fundraising post to increase and/or diversify income streams
 - b) Developing new income generating activity, e.g. a training offer

3. Developing programmes and services

- Focusing on the organisation's work with young people, by:
 - a) Developing new programmes or services in response to changing contexts
 - b) Expanding or improving existing services

4. Developing youth participation and involvement

- Building the organisation's approach and making young people's involvement more embedded and meaningful, for example developing a young leader's programme

5. Producing a specific output

- Paying for a specific role within the organisation to develop a particular piece of work or output, for example a quality framework. This approach was more common amongst second-tier organisations

Our paper on how organisations have sustained and grown their impact will explore these approaches in more depth, and our paper on asset-based approaches to working with young people will focus on how organisations have developed youth participation.

What did this funding achieve?

The funding achieved different things for different types of organisation, depending not only on how they used it, but also the organisation's development stage or wider context.

Type of organisation	How funding was used (see typology above)	What the funding achieved
Small and young	Usually 1 and/or 2	Organisation became more established In some cases, helped to prevent collapse
Small and established	Usually 1, 2 and/or 4	Became clearer on longer-term strategy Made youth involvement more embedded or meaningful
In transition, often facing funding cuts	Usually 1, 2 and/or 3	Some stability Able to reinvent or refocus In some cases, helped to prevent collapse
Medium/large and established	Usually 2, 3 and/or 4	Improved quality or relevance of services Better embed asset-based ambitions
Looking to grow	Usually 2 and/or 3	Programme expansion Developing new approaches; some innovation
Infrastructure organisations	Usually 4 or 5	Able to develop a specific piece of work with a strategic purpose

What would organisations have done without this funding?

When asked what they would have done if their Youth Fund application was unsuccessful, organisations stated the following options:



Feedback from funded organisations about core funding

Organisations were overwhelmingly positive about being granted core funds. The reasons they gave included:

- It is inherently more **flexible**; organisations could choose how they wanted to use it
- It enables a **higher quality, more useful conversation** with the funder, which could focus on strategic challenges rather than being driven by specific outcomes
- It enabled **longer-term investment** rather than delivering a specific, time-bound project
- It gave organisations the **time and headspace** to stop firefighting and make the organisation stronger
- It gave organisations **freedom to work in the way that they want to**; this works well for organisations with a values-led approach
- It gave a sense of **stability and relief**, particularly in times of change

“It feels like [Paul Hamlyn Foundation] are thinking about impact in a more strategic way. Normally we’re thinking about how this is impacting people on the ground, whereas now we’re thinking how can our work be sustained and how can we build impact in a broader sense.”

“Just being able to have a bit of security in terms of our CEO’s salary... People can step out of fight or flight mode, which leads to worse outcomes.”

“For us without [this grant] I would now be thinking about what do we do this year in terms of deliverables, rather than what can I do this year in terms of new ideas.”

“This funding was the catalyst for change in the organisation... It was a turning point... The funding gave us the opportunity to spend more time in strategic meetings, to sit back and look at the business plan and where we were going.”

“It’s had a massive impact. You can’t overestimate how much it’s allowed us to grow and develop.”

“This has really given us the space to focus on important strategic development.”

Downsides of core funding

The downsides of core funding are almost exclusively experienced by the funder, rather than the organisation funded. In the case of the Youth Fund:

- Because organisations had a wide range of objectives, it was more challenging to identify which investments would be most effective, or to compare investments
- Similarly, it was challenging to monitor organisations’ progress over the two years as their objectives tended to be high-level and difficult to quantify
- It was difficult to be strategic about whether to accept requests to change the use of grant funds
- It was more challenging to identify what this specific grant has achieved, than would be the case with project funding

Paul Hamlyn Foundation felt that these risks were more than offset by the benefits stated above, and the quality of relationships they were able to develop with funded organisations.

Recommendations

Plenty has already been written about benefits of core funding, and why more funders should consider offering it. The Youth Fund example has underlined the value that it can have for organisations, particularly those experiencing periods of rapid change and/or cuts in funding from other sources.

However, our findings highlight the benefit of being clear about what core funding is intended to achieve. The risk otherwise is that core funding approaches lack strategic direction and purpose, and a shared understanding of what the funding is for. This leads us to the following recommendations:

1. Funders offering core funding should develop a set of hypotheses about what they are hoping this funding will achieve (similar to those outlined on p.2 of this report). This will help the funder, and applicants, to be clear about purpose.
2. Funders offering core funding should also develop a set of categories reflecting how the funds are being used in a practical sense (similar to those on p.4 of this report). This will help communicate how organisations are using the funding in different ways, and will help prospective applicants to understand what type of core activity they can use the funding for. Unless the cohort of funded organisations is very homogenous, the categories are likely to reflect how organisations with different characteristics and contexts need to use core funding in different ways.
3. Funders should also use these categories internally, to help assess applications, monitor success and communicate with the Board. They can be used to achieve clarity in your team about what journeys different organisations are on, and whether you are realistically able to help them.
4. The length of grant is also a key consideration, and relates to the question of what purpose the funding is being put to, and what context the organisation is working in. Funders should be realistic about whether organisations will be able to achieve the hypotheses they have developed (recommendation one) within the funding period offered.

Contact

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