



<https://www.thirdsector.co.uk/kate-sayer-grant-appropriate-innovative-ways-working/finance/article/1488111>

## Kate Sayer: A grant is more appropriate for innovative ways of working

24 July 2018

Here are some examples why



Kate Sayer

Most charity leaders are rightly concerned about financial sustainability, but it quickly turns into a discussion about funding, sources of funding and why there isn't more money about. For me, financial sustainability is less about the totality of the income, more about aligning funding sources to the delivery plan.

This is most easily explained by examples. Let's say you are a charity that has a tried-and-tested method of working with children who are behind in their reading age. You train volunteers to listen to the children reading in after-school clubs. It is not difficult to cost the model and you have a theory of change so you can measure the difference the charity is making.

You can sell this as a service to schools, communities and funders who want to buy these outcomes. You can commit to delivering specified outcomes for a known cost. You understand the risks involved because you have experience and can build in the costs of management and possible contingencies. The relationship with your customers is largely transactional. As a charity you can feel comfortable accepting contract-based funding for this service.

Now let's look at a different example. In this case, the charity wants to tackle the educational under-attainment of children in a particular area of your town, and one indicator is a lower reading age than the birth age. You first need to carry out research to find out more about the circumstances of the children and their families, then you may be able to suggest solutions, devise programmes and undertake activities.

At this stage you cannot say what the outcomes will be, let alone what activities might be needed to achieve some level of change. You therefore need a funding source that is comfortable with uncertainty. In this situation, a grant is more appropriate because the funder is joining you on the journey and funding inputs into something new. The funder is sharing risk – neither you nor the funder can be certain of the outcomes.

Such a funder is more likely to take an interest in the approach, the people who are doing the research, how it will be evaluated and how decisions about next steps will be taken. The relationship is collaborative and sharing, not transactional.

In the first example, the charity is held to account because it is required to deliver the specified service and will be in breach of contract if it fails to deliver either the volume or quality of service specified. In the second example, the charity receiving a grant for a project will treat this as restricted funding, so may spend it only on the purposes for which it is given.

Typically, a grant recipient provides regular reports to its funders to explain how their funds have been used and comparing expenditure with the original budget estimate. Both grants and contracts provide accountability, but a grant is more appropriate for innovative new ways of working.

*Kate Sayer is senior consultant at specialist auditors Sayer Vincent*