

Introduction and a bit about the Northern Rock Foundation and where it works, including some similarities and dissimilarities with New Zealand.

The UK and NZ

Similarities with UK situation

- Your charitable law is based on the same ancient legal basis as ours and you too are modernising at the moment. Hope your modernisation is less controversial than ours!
- Range of charitable trust types broadly similar though we don't have anything like your Community Trusts - the thing we call community foundations is quite different from your model.
- Our UK controversial lottery money - a bit like some of your gambling money.
- We also share problems of dealing with aggressive media attention on some of our funders. Examples – our Lottery and the Princess Diana Memorial Fund and one of our tabloid papers.

Where we work: the NE and Cumbria

Similarities and some contrasts with NZ

- Population: yours about 4m; ours somewhat over 3m
- Heavily dominated by rural areas – Northumberland most sparsely populated county in UK. NE coastal strip has towns and industrial sites but all else very rural.
- Few big cities, some market towns and villages
- Problems of dependency on an agricultural industry being hit by FMD and global change. We're becoming post agrarian. Farmers becoming country managers – not, I think, like NZ.
- We're also very post industrial and haven't found a way to adapt yet.
- Feeling of distance and overshadowing by more 'important' places. A bit forgotten and far away. Is that familiar?
- Need to show we have just as significant ideas, interesting solutions as anyone else.

Our building exemplifies our values

Architect's brief:

Several ideas and values influence our grant-making.

- Efficiency in our operation and in those we fund.
- Openness and transparency in all we do.
- Fairness to all applicants.
- Warmth, sensitivity and friendliness
- Enthusiasm for new ideas.
- Willingness to take risks
- A belief that quality counts.

Our population

- Social report 2004 shows how well NZ is doing. Satisfied, healthy, good life expectancy, not all of you of course.
- We - high on all measures of economic and social deprivation – unemployment, low educational attainment, obesity and poor diet, infant mortality high for a 'western' rich nation, people on disability benefits, teenage pregnancy but oddly also according to research, relatively contented - not all of us of course.

We have an ageing population. NRF wants to keep people lively and happy as well as independent - a life not just long but worth living

Young people - danger of pathologising youth, we work with 'problem' young people but also see the young as solutions to problems their own and other peoples

The old and new NE exemplified by Woodhorn Colliery Museum (now run by a KIWI though I forgot to mention that!)

The old and new. Old mine, new architecture and heritage. For a grant-maker offers hope of local jobs, and opportunity to remind people of part of their heritage of which they're proud. Brings hope of tourism and thus new 'industry' but importance of remembering that miners may resent their hard, male workplace becoming a tourist attraction with soft jobs. However we all have to adapt and move on.

Our purpose and our budget

The staff prefer the 'addressing disadvantage' part of our work; the Trustees also like the part where we improve the quality of life for all.

We have lots of money and still try to do too much!

Moving on to the conference themes

We need to talk about debates, tools and effectiveness.

One key question – the one that keeps me awake anyway - has to be: what is the role of a philanthropic organisation in the 21st century? Or maybe that should be: is there a distinctive role for a philanthropic organisation in the 21st century?

What's so special about the 21st century? Well, it isn't special everywhere: the questions I ask myself relate very strongly to the fact that I'm living and working in a prosperous, technocratic society with a state that takes an active interest in its citizens from the cradle to the grave. And the same is true for you: we are living in some of the best circumstances in the world today. We don't have the political disruption of much of Africa which keeps so many of its people in extreme poverty and uncertainty about the basics of life. We don't have the internal troubles of South America with its volatile and short-lived governments. We don't live in the USA where the state believes in 'self help' for the poor and 'help yourself' for the rich.

We have the highest GDP and the best health. We have education systems that are designed to cater for all of us and we have schemes to support those out of work and those too old or ill to work. We can be critical about our governments and I'm sure we are but they with our guidance and taxes have created a framework to provide for us and to care for us paid for by all of us. Health, education and poverty – the traditional areas for charity. Hmm so what's our job?

The quick and easy answer – and the one we all appear to have given – is that governments can't do everything so we fill in the bits it doesn't do and some of those are basic. But our contribution is so tiny. We're like a passenger on the Titanic rushing up to the captain and saying 'look it'll be okay, I've got a tube of superglue'. Our gap filling is a little bit helpful – very much so to those who receive it – but it doesn't help make fundamental change does it? The collective wealth of NZ foundations is dwarfed by the size of national budgets and, even more importantly, by national need. Just like in the UK.

The modern democratic state has stolen our clothes and however badly it wears and maintains them, we still need a new outfit. With a disengaged state it's obvious what philanthropy can do but what is the best purpose for us in more socially aware, caring states like the UK and NZ?

That relationship with a modern welfare state frames much of our search for a role. My view is that we cannot ignore but must not duplicate the activities and policy of the state. We should work with state agencies where it serves our purposes and reserve the right to work critically and awkwardly where we need to. We also have a duty to behave differently because we can.

I'd like to suggest ways for us to reinvent ourselves as philanthropists. I hope you'll join me in thinking of us all as serious people doing a very serious job but with a sense of adventure. I'm looking at you all here and thinking about the work I know you do - because I've checked some of your websites - and I know you care about what you do and you long to do it well. But we grant-makers suffer from guilt and a sense of inadequacy, don't we? We feel guilty because we have power over money that other people need and want. We feel guilty because we are not frontline workers. We feel inadequate because sometimes in the night we hear a little voice say 'so much money spent and what good did it do?'

So just for today and tomorrow, lighten up on yourselves and let your minds run free. You are here to learn but not to be taught. You can learn by listening and by mental free association. It's important to let thoughts flow in and not to do simultaneous edit but hold it all and let things percolate.

Your conference is supposed to address themes including fairness and ethical grant-making and I do want to address them but not head-on at this stage. I would rather take as my key words transparency and integrity and start there. First we need to clear up some basics.

Slide 9: Detective – Motive, Means and Opportunity

No matter how complicated your detective story, the solution always comes down to these three things. Let's borrow them and see if they serve us too.

Slide 10: motive

The question of motive for trustees and for paid staff seems so simple doesn't it? What are we doing this for? Most trustees say they want to 'make a difference', and when they're feeling very enthusiastic it's 'make a real difference'.

Is that good enough? Shouldn't we try to be a bit more specific? What difference? To whom? What are you prepared to do, give up, etc to achieve it? There are lots of kinds of motivation and it's not up to me to judge between them but I do urge people to recognise, acknowledge and admit to them.

Slide 11: frogs

Are you one of Sondheim's frogs, just sending a cheque and asking no questions? Some trusts are simple money machines. And let's not fool ourselves – some of our applicants like uncomplicated money machines. A simple request, a simple yes or no followed, if yes, by a cheque and no messing about with evaluations, impact studies, monitoring requests – wow! For some VCS organisations that's about as engaged as they want a grant-maker to be.

But you'll never know what sort of effect it has and if you could have done better. And nobody likes to be a soft touch do they?

Slide 12: The Sage Gateshead

This is an artist's impression of what will be a fantastic building in the NE. It was going to be the Gateshead Music Centre but now it's the Sage Centre because the big local software firm Sage gave a donation of \$NZ15million. Are they pleased? You

bet. And just to prove that I'm not pretending to be excessively virtuous I'll tell you that the Northern Rock Foundation Hall is one of three in the building. My trustees like having that name attached to such a prestigious building.

I haven't come to be the voice of anyone's conscience – I've got my own problems. I also accept that in our complex world various motives and the outcomes they produce can be useful: we don't have to be 'Simon pure'.

If what you want is a simpler life of feeling good because you contributed but you don't want to know what you achieved, or if you want a monument in your name, that's up to you. Providing your donations satisfy the legal requirement to serve the public good, you can do as you wish.

Slide 13: Ben Franklin

But – there had to be a 'but' didn't there! – is that enough for you? You've got a brain, you've got the capacity to analyse, and you have ideas and visions. There are other kinds of monuments. You can do better!

Here's what the Chairman of ARK said after his charity had been operating for a few years. ARK is a charity conceived and run by high-flyers in London's financial sector: It raises large sums inventively from the newly rich in the City and invests in children's welfare and education.

Our philanthropic experiences have led us to become acutely conscious of the gulf that lies between making a donation and making a difference. It is relatively easy to give money, but far too often this generosity does not achieve anything. We are determined to achieve the far more difficult goal of making a difference.

Implicit in this is a kind of admission. As I am sure you know a number of dot com millionaires with obscenely early retirement and plenty of money in the US and some in Britain thought that, having sorted out money making, they could sort out social problems. But they have all discovered what we know to be the case: it's hard, very hard. Donations are a lot easier.

This is where I think transparency about what you want to do becomes so important. Motives matter because they dictate what you get.

There are four main reasons why we need to be explicit about what motivates us and clear about what we want.

First, applicants need to know what you want from them otherwise they waste their time trying to second guess you. That's why being clear and open about your motives is not just important; it's also efficient.

Second there's a series of challenges coming towards us.

We're under attack! We are being challenged to say what we're for by Diana Leat and Helmut Anheier (From Charity to Creativity), Neil Levy in Australia and others. What value do we add? Why not just let governments take care of everything? Since there are so many other means of delivering money to people who need it what's the point of us?

Another challenge comes from that more active state that I mentioned before. For years in the UK, charitable trusts enjoyed a light regulatory regime and distinctive tax breaks. The tax arrangements maximised donations and the price - declaring what you did every year in a public report - was very inexpensive indeed. The requirements were minimal and a grateful state stood back and applauded as those

with means – corporate or private – contributed to the public good. That's if they noticed at all. But it's changing for us, and since your laws and reforms seem similar to ours I'm guessing it's changing for you too. The benign neglect is going: we have been spotted as useful - and sometimes annoying! And the more engaged and active we become the more attention we'll get. So what do we offer or what can we do that the state cannot or will not do? If we don't know we'll be co-opted into some function that they choose. We have a role alongside the state -- no question of that -- but it isn't to do the same things as they do but cheaply.

Foundations are now being held more accountable for what they do by public voices, often self appointed. We've had our newspaper 'scandals' – often orchestrated public protest by the press and so have you. And there have been casualties – our Lottery funders have been reined in and battered by the government department that has oversight of them all because of a very few and highly unrepresentative ill-judged grants. Right wing newspapers waited like vultures looking for one faltering step and in they went. You've had your problems too and your casualties. Governments cope badly with criticism – they over react. It's nothing like the USA where scandals about excessive CEO and Board remuneration and poor pay out rates have brought the wrath of Elliot Spitzer down on the sector! But we've lost our cloak of invisibility so we had better be prepared to argue our case. And that, in my book, means being able to articulate our motivations – our intentions - and to stand accountable for them.

This is my last plea for transparency and for mature motivation. Where once foundations were the accepted way of delivering philanthropy things are changing. Tax regimes are becoming less generous towards new trusts. There is increased scrutiny which we've just looked at. There are other vehicles for people to donate tax-effectively and anonymously. Rich donors dislike regulation and many loathe the public exposure attached to setting up trusts. A recent publication by Theresa Lloyd called *Why the Rich Give* published by the Association of Charitable Foundations (UK equiv. of Phil NZ) discusses donor motivation at length and the vehicles available. Theresa tells us that foundations are in danger of being no longer the preferred option. So those of us already operating in foundations need to show clearly why they should use this means (if we believe in what we do) because if not there will be fewer of us and more money going into donations not differences.

So trusts have to be sure they offer something more. Increasingly we need to be able to articulate what we are here for, what we do better than others and how we plan to accomplish our goals. I said motivation wasn't simple!

I believe that the 'something more' is informed philanthropy whose purpose is clear and whose motive is to serve that purpose. In other words it knows what difference it wants to make and directs its efforts toward achieving it. It may enjoy the work and get incidental rewards but the only reward which counts is a job well done, a difference made.

If you are still not persuaded by these pressures, take pity on poor Philanthropy NZ whose job is to improve public understanding of the role of grant-making trusts – help Robyn.

This is all probably something we all think about, maybe agonise about? But are we doing anything about it?

We need to say: what we are trying to achieve **and** what is theory of change that we are using.

One theory we use is:

If you give people control over their lives, they'll mainly sort themselves out.
So we repair damage and disparities and let people get on with their own decisions.
We put, or help others put, money into people's pockets so that they can choose what to do with it to solve their own problems and learn by experience how to manage their own lives.
Some mess up and it's their right to do so
But if our intervention can help....

Your theories may be different – they could be about how best to develop coherent, happy communities, cultural provision to raise everyone's aspirations, sport as a way of building communities or character or health, travel to broaden ideas etc etc. So long as you've thought what you're doing and are prepared to expose and defend it you'll be acting with integrity.

Slide 14: Means

2 things – money and knowledge
Size is not everything!

Problems of being big – expectations of everyone including trustees that you can do everything.

Sometimes it's better to be small, working under the radar. It's not the amount of the budget that counts, it's the quality of the spend. I can think of numerous examples of progressive, influential trusts with modest sums. You might like to look at the website of the Millfield House Foundation in the NE set up by a Quaker family,

Millfield House Foundation helps to tackle poverty, disadvantage and exclusion and to promote social change in the North East of England, particularly Tyne & Wear. It funds projects that inform discussion and influence public policy and attitudes, with the aim of diminishing social deprivation and empowering communities.

Its grants budget is only \$NZ 350,000 but its influence is much greater.

Joseph Rowntree Foundation is a long way from being one of the UK's biggest but it's one of our most influential.

Despair is too easy an option – 'we are only little, we can't fix everything so we do nothing'. You have almost a duty to be more ambitious than your resources.

Knowledge

We are coy and unconfident about using it. We have a lot of collective wisdom accrued through years of making grants and receiving reports but we don't use it. We don't capture it well or promote it.

New Knowledge Management industry – but you can start with simple tools – shared diary sessions, budget negotiations with your colleagues, informal lunches with a speaker or just a topic of conversation. We sometimes have Friday afternoon sessions with tea and cakes and invited guests and just let the conversation flow. We all need to be better at collecting and disseminating ideas. We're not good at sharing our problems and successes. And most of all we need to acknowledge that we do know things and not be so shy about it.

Slide 15: Opportunities

Robertson Davies

Grant-makers suffer from a paralysis of responsibility – especially the smaller ones. ‘Small resources so we have to use them well’. Fear of waste or failure gets in the way of experiment and even effectiveness.

But we have two USPs:

Different from government; can really try things and risk it going wrong. Civil servants can't. Even your statutory trusts have more leeway than most government organisations.

Different from private sector in that we're the anti-market forces – we intervene in places of market failure. Our territory is where markets don't want to go.

So if we only trot along shadowing or following state and private provisions we're not exploiting our opportunities. We should use at least some of our money as ‘funny money’. That's what the Wall Street Journal said 20 years ago when the National Endowment for the Arts was under siege for supporting controversial artists. ‘Why don't the big independent trusts do this work?’ it asked. We have such opportunity to use money in an interesting and experimental way.

So to be an informed and engaged philanthropist I think you have to

- Articulate your intentions
- Use your means no matter what
- Seize your opportunities.

One more thing – we are gaolers of our imaginations – let them out. Use opportunities with verve and gusto.

I said that informed philanthropy knew what it wanted to do - its purpose was clear. Now I want to add that it needs a vision towards which it is heading. It knows what the world it wants looks like and it bends its efforts towards that while recognising that the vision may never be fully achieved. Informed philanthropy is realistic and patient. it doesn't give up. Easy to say but hard to deliver.

Please don't think I've come to tell you it's all hunky dory in NE England. Our debate about a vision or a theory of change is one which happens in different parts of our organisation at different levels. The Trustees and staff occasionally have different visions. The tensions are often helpful because they make us articulate and don't let us get comfortable.

Slide 16: The Bumper Book of Everything

Once we've chosen what we want to accomplish we can look at how we might go about it. Let's look at all the possibilities that we have and see how far we can stretch them to make us more than we used to be and much more valuable than we ever thought we were.

Slide 17: What can we do with grants?

There is so much more that we can do with money than just dishing it out in simple grants but grants will always be the mainstay of most trusts -- after all, most of us usually refer to ourselves as grant-makers. I'm going to talk about lots of other ways of deploying money but in case anybody has any doubts I'm not trying to say that we should never give any more grants. Paraphrasing for a moment that clever but horrible film of the 90s, Wall Street, and its protagonist, Gordon Gecko, ‘Grants are good’!

Here are some variants on a well tried theme:

- Grants for 100% i.e. to get the job done. Why do we consistently try to cut back grants and make them smaller? If we are in the business of solving problems then why don't we commit to giving enough to get the job done.
- Grants with extra years. Social problems that have taken generations to create won't be resolved in one or three years so if we're serious about solving them we need to stay in there, if necessary making repeat grants. I signed off a grant for seven years recently: it was very exciting. The applicant was almost afraid to accept something that long. That's our fault. We grant-makers have created a three-year project culture and it doesn't work.
- Grants with extra help -- if an organisation has a good idea but perhaps lacks the capacity to carry it out, instead of walking away we should invest in the structure and the management until they are ready to receive a grant. That way we can enable the idea to come to fruition.
- We should make relationships with grant holders and keep supporting them rather than standing back and letting them make mistakes or letting bad things happen to them. When something goes wrong where are we? Are we hiding and saying 'nothing to do with me, guv'? How about being loyal? After all they are taking much bigger risks with their reputations and sometimes the quality of their lives than we ever do.
- We at NRF have some long term commitments to support an organisation over, for example, 10 years. But we keep the relationship lively by insisting on an annual application which we can debate and discuss.
- We can also give grants in partnership with statutory and non-statutory investors. Providing that we all agree on the objectives and don't confuse the applicants it can be really helpful.

Slide 18: What else can we do?

Diagnose problems and then try to solve them!

- Organisational development – we buy in expensive, good training – the kind the private sector gets – and sell it on at affordable prices to the Voluntary sector. Sometimes we persuade people to participate.
- Set up funny little quick response schemes like Visit and Learn – to encourage people to learn from others and not keep reinventing the same things. We give the money to visit. So they have no excuse.
- We see a problem – e.g. a general lack of management or legal expertise and we find a way to solve it. Nobody else will!
- Loans with or without grants to encourage sustainable development practices and to get things started
- Loans with no interest
- Loans to unbankable projects
- Bridging funds until statutory funders or other slow release funders pay up. Including working capital that can be repaid when a social business is sufficiently established
- Guarantees which give sufficient comfort to other funders statutory or even commercial. You may never have to spend any money at all!
- Equity investments in which we wait patiently for a repayment or a share of profit if it comes. New territory in which we hope to invest soon. (Suggest people look at the Futurebuilders website to see an example of investment of all types using government money delivered by a voluntary sector consortium)

Slide 19: problem analysis and experiment

- Special projects with long evaluation – our domestic violence project came out of research we commissioned, long consultations with on the ground experts and then a big meeting with the experts to devise a scheme. We put it out to tender, picked the ones we thought most interesting and we're doing a properly funded 7 year evaluation.
- Breaking the logjam by acting differently from everyone else
- Equity – part purchase of asset which we would resell only to the Voluntary organisation in residence. We're thinking about this now.
- Consideration of reserve pots, maternity cover pots, property purchase, and blended value investments (Trustees don't quite believe this yet!).

There are lots of examples of ways to use money differently and inventively and in a way that statutory authorities cannot. This is just a selection.

Slide 20: Samuel Beckett

How we learn. More by failure than success. We've had plenty of grants that have gone wrong for a variety of reasons. Some of them were because of a failure of our system, and some went wrong for reasons beyond our control. But that's what life is like. So if something goes wrong once why don't we pick up the learning and then try again? Most of the time we grant-makers just run off resolved never to go there again. Not much use to anyone! We need to stay loyal to the organisations we work with and to the ideas we are trying to foster. Our internal culture at NRF says there's no failure except failure to learn.

I admire an organisation that not only recognises a failure but also goes back and has another shot. Here's an example:

Kauffman Foundation Learns It's Not So Easy to Give Away College Educations

Fulfilling its founder's 1988 promise to provide free college educations to students in a troubled Kansas City school has been a learning experience for the Ewing Marion Kauffman Foundation (<http://www.emkf.org/>), as well as for the students themselves.

The original program, which expanded from a freshman class at a single high school to include other classes and schools, set several conditions: Students had to graduate within four years, be drug-tested, and not become pregnant. But despite some shining success stories and the \$22 million spent on the initiative through 2001, only 56 percent of the 1,394 students in the program graduated from high school, and only 16 percent went on to earn a bachelor's degree.

Why was it so difficult to fulfill such a winning promise? "Mr. Kauffman had no idea how far behind these kids were," said Tom Rhone, the program's director. As the program developed, the foundation learned several lessons: Dropout prevention and other support services were essential, as was cooperation from school officials; enrollment in ninth grade was too late for many students to catch up; and the promise of a college degree was simply too abstract. And while the drug testing worked well, the pregnancy rule proved unrealistic and eventually was abandoned.

The foundation is now trying to set realistically high expectations and is willing to spend heavily to get results. Its new program, which has earmarked \$70 million for twenty-five hundred Kansas City students over twenty years, starts with seventh-graders and includes partnerships and bridge programs with colleges. In addition, the foundation is pressuring colleges to pay some of the students' tuition rather than letting Kauffman shoulder the full burden. "We're less naïve this time," said foundation president Carl Schramm.

End

I want to end by saying that most grant-makers I know aren't investors yet. Most are doing a good job but all could do a better job including very much me and my team. Not all of us can do everything and our variety, our heterogeneity as a sector is a glory we must not sacrifice. But what I believe we must share is transparency, integrity, and a willingness to risk and, when we fail, to try again. With those, whatever we do we are likely to do well.