



PEOPLE'S POSTCODE LOTTERY

FUNDING FOR IMPACT

Understanding the perceptions and views of the organisations
which receive funding from People's Postcode Lottery

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1. FOREWORD

from People's Postcode Lottery Deputy Managing Director and Head of Charities **Clara Govier**

“AS HEAD OF CHARITIES AT PEOPLE’S POSTCODE LOTTERY SINCE 2012, I HAVE SEEN FOR MYSELF HOW UNIQUE OUR MODEL OF FUNDING IS IN COMPARISON TO OTHERS.

Understanding the value and benefits of unrestricted funding to charities is the first important key factor along with ensuring the same funding level, or more, year on year. When charities are confident they have secured funding over a longer period, and the flexibility to spend the funding as they need, this encourages collaboration, not competition.

Unrestricted funding over a long term basis has been at the core of the funding relationship between People's Postcode Lottery and the charities that our players support since we were founded in 2005.

Of course this approach did not happen by accident. When our sister lottery in the Netherlands was founded back in 1989, it was done so by charity fundraisers. Novamedia founder and Chairman

Boudewijn Poelmann and his co-founders not only wanted to establish an on-going revenue stream for charities, but they also understood the frustrations that can result from restrictive funding. This can sometimes put the funder's wishes front and centre, rather than focusing on achieving greater charity impact through a more flexible and long term approach.

Through my years working with the charities funded by People's Postcode Lottery players I have heard from many that our funding model has significant benefits for them. However we were keen to see beyond any rose-tinted view and hear what charities really thought.

We commissioned respected charity experts and independent researchers, nfpSynergy, to carry out an anonymous survey of our

grantees and gain a true assessment of our funding model. The outcomes of this research are incredibly positive and it is hoped that this research will have a two-fold impact. Firstly to help other funders consider how they can best support charities, and secondly how we can further evolve our support for our funded family.

When we talk to our players about what motivates them to play, the strong link to local and national charities always comes through strongly and this latest research shows that players should not only be proud of the amount of funds they are raising for charity, but also for the way those funds empower charities to do more.”

Clara Govier
Deputy Managing Director
and Head of Charities
People's Postcode Lottery

2. INTRODUCTION

GRANTS ARE A HUGE IMPORTANT PART OF THE INCOME OF MANY CHARITIES. IN OUR RESEARCH AT NFPSYNERGY OVER THE YEARS WE HAVE SEEN HOW A GRANT FROM A TRUST OR FOUNDATION CAN BE THE KEY TO ALLOWING A CHARITY TO TRIAL A NEW SERVICE, EXPAND AN EXISTING ONE, OR EVEN JUST SURVIVE.

Grants often come at relatively low expense (unlike say recruiting individual donors or running fundraising events). They are relatively meritocratic, since success depends on the quality of the organisation or its ideas, rather than its brand or awareness.

For all these reasons, any new grantmaker is to be welcomed. Charities need all the income they can get in an age of austerity. The growth of People's Postcode Lottery (PPL) in Britain over the last decade has been significant.

Players raised £93.3m for good causes in 2017 compared to £6.1 million just five years before. People's Postcode Lottery's emergence as a force in grant-making in Britain is particularly welcome because its income isn't based on the endowment of a wealthy individual, but on the generosity of the British public. Indeed, research by VU University of Amsterdam and the University of Maastricht's European Research Network on Philanthropy shows that Novamedia, People's Postcode

Lottery's parent organisation, is the third largest private charity donor in the world after the Gates Foundation and the Wellcome Trust, with a total donation of £618 million in 2017. It is also one of only four private donors in the global top 20, based in Europe.

The size of the charitable support received from players of People's Postcode Lottery in the Britain is one thing, the quality of its impact is quite another. This report is based on our research with the organisations in Britain that are funded by players of People's Postcode Lottery. We have interviewed organisations anonymously as well as carried out an online survey with the two types of charity that receive funds. We have also researched where People's Postcode Lottery sits in the grant-making ecosystem, looking at how its approach compares to what charities want from grantmakers, as well as other trusts and foundations and their strategies.

Our approach to the research has been to look at how

grantees and Promoting Societies feel about the income they receive from players of People's Postcode Lottery. What are the strengths and weaknesses of the People's Postcode Lottery approach? How could People's Postcode Lottery improve? What are the hallmarks of People's Postcode Lottery's strategy that they particularly welcome? In this report we provide a summary of our research with several key parts: key findings from the online survey, the quality of the relationships with People's Postcode Lottery, our conclusions and recommendations and the summary of what makes the People's Postcode Lottery approach distinctive from other grantmakers.

Please note that when we refer to 'grantees' we mean all beneficiaries funded through charitable trusts funded by the players of People's Postcode Lottery (as opposed to 'Promoting Societies' which directly receive the funding from players).

Player income



People's Postcode Lottery structure and its relationship with its grantees and Promoting Societies

People's Postcode Lottery is a subscription-based charity lottery. Players support charities and good causes across Great Britain and internationally while also having the chance to win prizes. Players pay £10 for 10 draws each month with 40% awarded to prizes, 32% to charities and 28% is retained by People's Postcode Lottery for running and marketing the lottery. To date, players of People's Postcode Lottery have raised over £291 million for charity.

Licensed by the Gambling Commission, People's Postcode Lottery manages multiple society lotteries on behalf of a range of charities. Money raised by People's Postcode Lottery players either supports a single charity's activities directly or is distributed to a range of good causes by way of a grant by one of 18 charitable trusts.

IMPACT CASE STUDY: VOLUNTEERING MATTERS' SPORTING CHANCE PROGRAMME

Volunteering Matters develops and delivers high impact volunteer-led solutions in response to some of the most difficult challenges facing individuals and their communities today. They engage more than 30,000 volunteers and 90,000 beneficiaries every year through 180 active programmes across the UK.

'Sporting Chance' is an innovative programme which improves the physical and mental health of isolated older men through a range of activities designed for men by men. The programme was already running in Middlesbrough, Stockton-On-Tees, and Hartlepool. In 2017, using funding from players of People's Postcode Lottery,

Volunteering Matters launched the programme in Sheffield. Sheffield was identified as an area facing significant health challenges, with lower male life expectancy than the average for England and higher mortality rates from cardiovascular disease such as heart disease and stroke. Within the year they engaged 48 vulnerable older men into

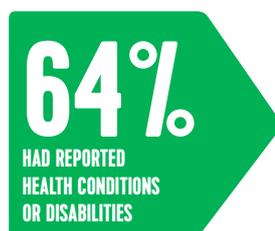
the project. They also provided three times more sessions than their original target. Men engaged in the Sporting Chance programme reported that they felt healthier, happier, more mobile, more confident, and that they had made new friends in the process.

DURING 2017, SUPPORT FROM PLAYERS ENABLED US TO:

- Engage 48 vulnerable older men in the programme in Sheffield 6 of whom have gone on to become volunteer leaders, helping design and lead on some of the activities.
- Deliver 96 activity sessions in Sheffield, exceeding our target of 30.

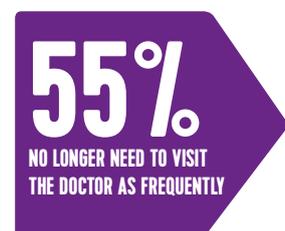
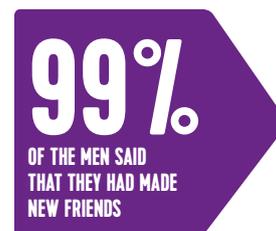


The men engaged in our Sheffield programme came from a range of backgrounds:



**all of the above are predictors of social isolation and loneliness*

As a result of their participation in our four Sporting Chance programmes across the North East during 2017:



Source: Volunteering Matters: *Your Impact; How funding and support from players of People's Postcode Lottery transformed lives and changed communities in 2017*

3. SUMMARY

THE INGREDIENTS THAT MAKE FUNDING FROM PLAYERS OF PEOPLE'S POSTCODE LOTTERY SO DISTINCTIVE

At nfpSynergy, we have researched what the grantees of a number of different grantmakers think about them. Although these research samples are already biased, since only the most enlightened grantmakers want to know what their grantees think about them, People's Postcode Lottery stands out in a number of ways.

UNRESTRICTED FUNDING

The vast majority of funding from players of People's Postcode Lottery is unrestricted. In other words, People's Postcode Lottery does not dictate how it should be spent. This is a significant benefit for charities. As will be seen later on, many charities, particularly smaller ones, would trade in a restricted pot of grant money for a smaller amount of unrestricted funding. Unrestricted funding allows charities to pay for their core costs, to respond to the changing successes or failures of their work, and to be flexible in adapting to a changing external environment.

LONG-TERM FUNDING

Closely aligned to unrestricted funding as a benefit for charities receiving funds from players of People's Postcode Lottery is the long-term nature of the commitment. Their approach is that once a charity is on board, they are part of the family, resulting in charities feeling well supported and understood by the sustained relationship they have with People's Postcode Lottery. The long-term nature of the funding commitment allows charities to plan ahead and to invest in services, support systems or staff knowing that the funding is secure. In our interviews with grantees and promoting societies in receipt of funding from players of People's Postcode Lottery we were told again and again the difference this makes.

SCALE OF FUNDING

For many People's Postcode Lottery grantees the amount of (unrestricted, long-term) money that they receive in funding from players is truly transformative. It means that a charity's plan for growth, development or change can be made safe in the knowledge that a significant portion of the funds they need can be relied on.

GOING BEYOND GRANTS

People's Postcode Lottery's support is about more than just money. For the grantees there is also a considerable amount of support in areas such as communications, impact measurement, or organisational development. This allows grantees to invest their funds more effectively and improve their management overall.

CLOSE RELATIONSHIP WITH GRANTEES

People's Postcode Lottery has developed a close working relationship with the charities it works with. This provides a number of benefits for those organisations. It allows them to benefit from the knowledge People's Postcode Lottery staff have about what other organisations are doing and how they are facing different or similar pressures. It also encourages those charities to be honest in how they communicate with People's Postcode Lottery, which in turn increases the chances that People's Postcode Lottery can help recipient charities with advice, support and funding.

PARTNERSHIP APPROACH

Overall charities told us that they considered themselves as working within a partnership approach with People's Postcode Lottery. Much more a relationship of equals, than a power imbalance between grantee and funder which often occurs.

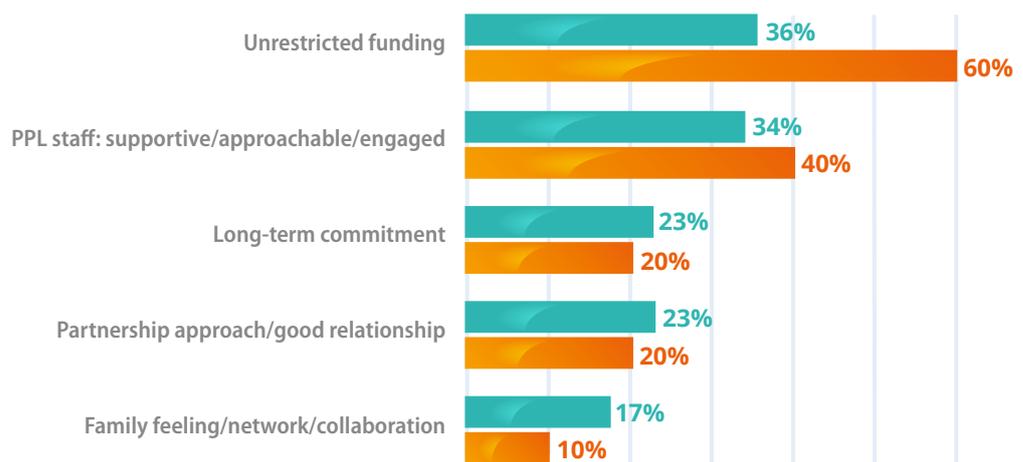
4. FINDINGS FROM THE ONLINE SURVEY AND INTERVIEWS WITH GRANTEES AND PROMOTING SOCIETIES

4.1. UNRESTRICTED FUNDING

People’s Postcode Lottery is delivering more unrestricted funding to its grantees than others are.

Unrestricted funding was mentioned by all interviewees as a vital part of what makes funding from players of People’s Postcode Lottery so beneficial. When asked what the best thing was about People’s Postcode Lottery support, the most mentioned factor for both grantees and Promoting Societies was unrestricted funding.

Figure 1: Top mentioned ‘best things’ about People’s Postcode Lottery support



“What is the best thing about PPL support?” Open ended question-coded Base: 57 Source: People’s Postcode Lottery survey of Grantees and Promoting Societies, nfpSynergy July 2017

GRANTEES
PROMOTING SOCIETIES

The online survey found that nearly all grantees and Promoting Societies (88% and 77% respectively) receive another source of unrestricted funding, in addition to the income they receive from the players of People’s Postcode Lottery. However, the interviews showed how unusual it is to receive such large sums of unrestricted funding. For example, one

Promoting Society flagged that although funding from players of People’s Postcode Lottery is not their only source of unrestricted funding, it is four times larger than their next source of unrestricted funding. Some interviewees also commented that funding from individual donors was often the only other unrestricted funding their organisation received.

UNRESTRICTED FUNDING GIVES GRANTEES FLEXIBILITY AND FREEDOM, ESPECIALLY TO INVEST IN 'LESS GLAMOROUS' WORK

People's Postcode Lottery grantees and Promoting Societies value unrestricted funding because it allows them to focus more on their charitable mission, on making strategic decisions, and on being more beneficiary and community led. Others acknowledged that unrestricted funding meant they could fund projects and pay for items that are less popular:

- “ Unlike restricted funds, there are no conditions on how or where they are used. This gives us the flexibility to make the right choices at the right time.” **Promoting Society**
- “ People's Postcode Lottery allows us to be community led rather than donor led, while at the same time implementing strong programmes with meaningful and impactful activities and high accountability.” **Grantee**
- “ Unrestricted funding is vitally important for us because it allows us the ultimate flexibility to take the decisions which benefit our charitable mission without being tied to certain set of criteria - which may apply with restricted funding - or pay for items which it may be difficult to raise funds for.” **Promoting Society**

HOW MUCH UNRESTRICTED FUNDING MATTERS TO PEOPLE'S POSTCODE LOTTERY GRANTEES AND PROMOTING SOCIETIES

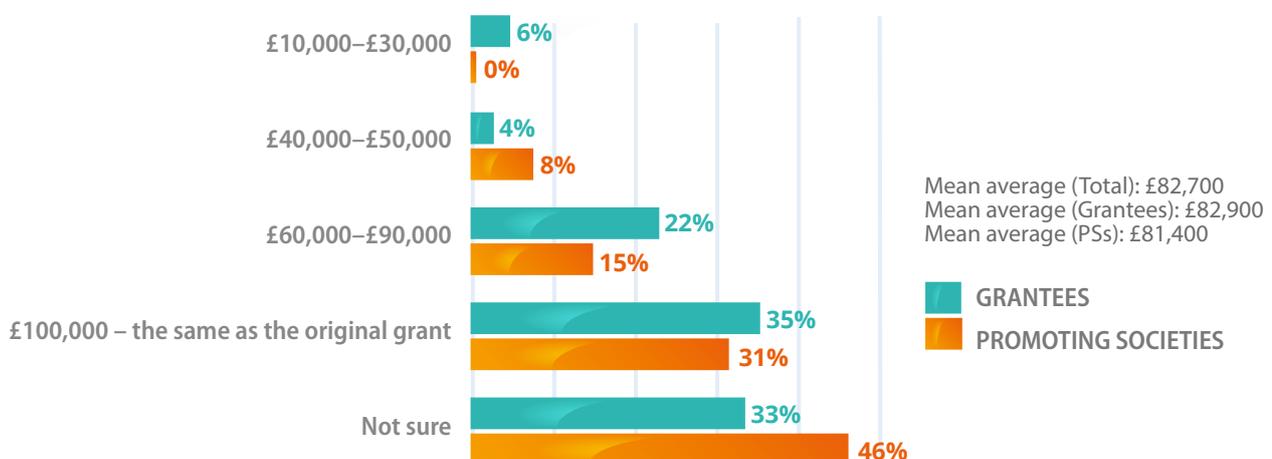
We wanted to understand more about how valuable unrestricted funds are to People's Postcode Lottery's grantees and Promoting Societies. In the online survey, respondents were asked to imagine a scenario where a funder offers them a £100,000 restricted grant or a lower amount that was unrestricted. Respondents had to consider what was the smallest unrestricted sum they would accept instead of the £100,000 restricted grant. The results can be seen in Figure 2 below.

Around half of charities that expressed an opinion said they would take a lower amount of funding if it was unrestricted. The average lower amount accepted was £82,700, meaning that on average, charities were willing to lose £17,300 in order to access unrestricted funds.

Not all charities were willing to trade in the size of the grant for unrestricted funds – 34% of the total sample said they would not lose any money in order to get an unrestricted grant. We would be wrong to imply that these questions about trading a restricted grant for an unrestricted grant were straightforward.

However, the fact that 10% of total respondents said they would take only £50,000 or less if that meant they could put the money where it is most needed really shows the importance of unrestricted funds to some charities. It also points towards how difficult many charities find it to access these types of funds – if these funds were readily available charities would not feel the need to lose money in order to access them.

Figure 2: Smallest sum accepted for an unrestricted grant in place of a £100,000 restricted grant



“If a funder offered your organisation either £100k as a restricted grant or a lower amount that was unrestricted, what is the smallest unrestricted sum you would accept instead of the £100k restricted grant?”

Base: 57 Source: People's Postcode Lottery survey of Grantees and Promoting Societies, nfpSynergy July 2017

RECEIVING UNRESTRICTED FUNDING SHOWS THERE IS TRUST IN THE FUNDER-GRANTEE RELATIONSHIP

Not only does unrestricted funding allow for flexibility and freedom, but it also contributes to a strong relationship between People's Postcode Lottery and its grantees and Promoting Societies, encouraging mutual respect and collaboration:

People's Postcode Lottery on due diligence

After receiving the results of the report, we asked Clara Govier in her role as Head of Charities for People's Postcode Lottery, about the due diligence approach. She told us, "Our process for due diligence is not purely based on reading financial reports. It is generally a six month review based on real time information in direct contact with the charities where we grow our understanding of their activities, governance and challenges. While we have a framework we work to, we have a bespoke tailored approach which is flexible and open to more in-depth exploration according to what we learn in the process. Just as an investor would look at a new opportunity on a case by case basis, we do not view all organisations through the same lens. We learn from each experience, and while it is rare to receive a surprise from a beneficiary once they are on board, we are not immune to the challenges of the sector – though through our partnership model, we are more than often aware of the challenges in advance."

“ I think because it's unrestricted it shows that they trust in our ability to run our business/charity. They trust us to know exactly what we're doing, to know our beneficiaries and to achieve the biggest impact which is really valuable for us as well.”

Promoting Society

“ Being given unrestricted funding indicates the funder trusts that we, as an organisation, will do a good job – that we are experts in our field and we know how best to spend the money in order to achieve our aims.” **Promoting Society**

It was clear that People's Postcode Lottery's trust in the charities funded by players does not come at the expense of due diligence; several interviewees acknowledged that People's Postcode Lottery put in place rigorous accountability checks at the start of the process, making for a trusting relationship:

“ PPL's model seems to be that they do a lot of legwork at the beginning to make sure they are satisfied that the charities they are working with are carrying out best practice, are making the most of their income, are behaving responsibly and are working in ways that are beneficiary-led and responsible [...] My feeling is that following that assessment period, there is a lot of trust in us as a charity.” **Grantee**

4.2. LONG-TERM FUNDING

LONG-TERM FUNDING IS UNUSUAL FROM GRANTMAKERS, BECAUSE THEIR FUNDING MODEL DOESN'T ALWAYS HAVE THE CERTAINTY FOR LONG-TERM COMMITMENT

One interviewee commented that grantmakers usually struggle to give a long-term commitment because of the way they are funded (i.e. through an investment portfolio). However, they feel People's Postcode Lottery is different since its track record of ticket sales and the success of the People's Postcode Lottery model means they can commit to long-term funding.

LONG-TERM COMMITMENT FROM PEOPLE'S POSTCODE LOTTERY MEANS GRANTEES AND PROMOTING SOCIETIES CAN PLAN, PILOT THINGS AND INVEST IN NEW PROJECTS

Grantees said that receiving multi-year funding from players of People's Postcode Lottery allows them to get off the "constant treadmill" of securing enough funds to deliver their services. The breathing space that long-term funding provides means that grantees can pilot new projects and invest more staff time into strategic planning. Long-term funding was particularly important for recently founded charities. In these cases, the long-term funding offered stability and made it easier for grantees to leverage funds from other grantmakers:

4.3. SCALE OF FUNDING

The size of the income they received from players of People's Postcode Lottery is considered an important factor for most of the grantees and Promoting Societies we spoke to. The mean average value of funding that People's Postcode Lottery grantees reported receiving in a year was £427,600, and all People's Postcode Lottery Promoting Societies responded that they received over £2 million in funding from players of People's Postcode Lottery in the last year. As was mentioned earlier, most grantees already receive some unrestricted funding, but not on the scale they receive from players of People's Postcode Lottery. Receiving such a significant investment of funding has meant that organisations have been able to expand their service delivery, and fast-track projects that would have otherwise waited many years:

Beyond the obvious fact that it allows organisations to do more, one Promoting Society said that the scale of funding leads to more institutional buy-in to the People's Postcode Lottery partnership across their organisation. This is because they are able to distribute their funds across the whole of Britain and the impact is therefore seen and felt widely.



“It's difficult to explain to people that aren't in this position of setting up and starting a charity from scratch, how important it is when a funder and partner like PPL puts their long-term faith and trust in you. For us, that's been – emotionally, practically, and in terms of income - it's been transformational. It is about the long term mutually beneficial partnership. As we grow, they grow, and as they grow, they're able to help us more... that is a virtuous circle that only exists because of that long-term commitment. That is the thing that separates them [from other funders].” **Grantee**

“Funding from PPL in 2016 was the largest single annual award ever received by [our organisation]. This has enabled us to accelerate funding key projects towards delivering strategic objectives in our 10 year strategy. In 2017, we plan to use some of the funding to leverage other funds and to invest in our team by focusing on development and organisational efficiencies.” **Promoting Society**

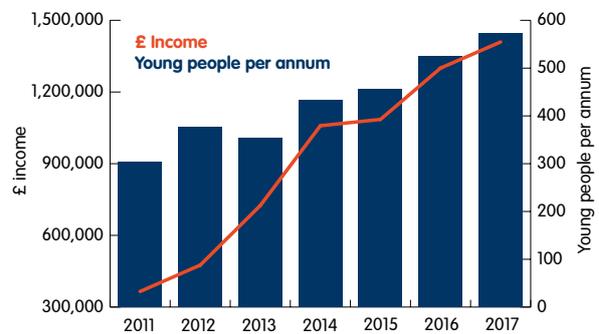


IMPACT CASE STUDY: ELLEN MACARTHUR CANCER TRUST

The Ellen MacArthur Cancer Trust is a national charity that rebuilds confidence after cancer, using sailing to support, empower and inspire young people between the ages of 8-24 in embracing their future with optimism. People's Postcode Lottery has been investing in Ellen MacArthur Cancer Trust for the past seven years.

They have received £1.85m of funding from players of People's Postcode Lottery since 2010, and funding from People's Postcode Lottery players accounts for 35.7% of the Trust funding they received in 2016-17.

Over that time period their total income has grown considerably. In their recent impact report Ellen MacArthur Cancer Trust referenced that the funding People's Postcode Lottery players has been significant in itself, and has also enabled them to increase their fundraising activity through hiring a new Head of Fundraising and Communications, and through mentioning their People's Postcode Lottery partnership to leverage more funds when making other grant bids. Ultimately, their income growth has meant they can support far more young people than they were supporting seven years ago.



Players of People's Postcode Lottery helped us do ALL this in 2016-17!

The flexibility from the **unrestricted regular funding** received from PPL since 2010 has a huge impact on the Trust – it means we can wholly focus on the young people we support.

DIRECT IMPACT

Improved infrastructure

- Appointed new Head of Fundraising & Communications

Tanya Brookfield

New boats (Solent Hero & Caledonian Hero)

Greater capability

- Change of CRM system to Salesforce
- 1st Volunteer Training Day in Largs – added to annual Birmingham event
- Better quality operational delivery

Improved fundraising

- Trust & Grants most successful area
- PPL mentioned in all our trust/grant bids – helping to secure more funds
- Improved efficiency through restructuring of fundraising team
- Continuing relationship with Blagrove Trust – support knowledge exchange, collaboration and learning through convening events

Heightened profile

30m+ NEWS

Print, online and broadcast reach during Round Britain 2017

High visibility boat branding

Clear Trust strategy

- Brought our impact to the forefront of Trust thinking
- Greater leadership confidence and increased ambition
- Plan ahead with confidence – accelerating Trust advancement

“The volunteers were very inspiring and reliable.”

“It made me feel more normal and less isolated.”

Appointment of new Events, PR & Communications Officer

Ashton Howard

Developing partnerships with Maggie's Centres, Teenage Cancer Trust & CLIC Sargent

Round Britain visited:

58 ports **13** hospitals

Source: Ellen MacArthur Cancer Trust – 2017 impact report for People's Postcode Lottery

4.4. GOING BEYOND GRANTS

The non-financial assistance offered by People's Postcode Lottery was definitely seen to add value. Types of non-financial assistance included:

NETWORKING AND COLLABORATION OPPORTUNITIES THROUGH THE PEOPLE'S POSTCODE LOTTERY FAMILY

Opportunities to come together as a whole People's Postcode Lottery family (all of the grantees and Promoting Societies funded by players of People's Postcode Lottery), such as the annual Charity Gathering and Charity Gala, are seen as brilliant and are highly valued. Respondents valued the support network created and the ways they have been able to collaborate and share ideas with other grantees:

It was noted that People's Postcode Lottery funds a wide variety of charitable causes (for example health, sport, environmental, education, arts, culture and animal welfare). Respondents valued that when the People's Postcode Lottery family is brought together, it was a chance to engage with people from organisations and causes which they would otherwise be very unlikely to meet.

“ One of the most beneficial things is the network, they called it the People's Postcode Lottery family, the network of other Promoting Societies. That feels like a really strong support network which is really nice. We haven't experienced that with other donors in the same way as we have with PPL.” **Promoting Society**

IMPACT CASE STUDY:

PEOPLE'S POSTCODE LOTTERY DREAM FUND ENCOURAGES COLLABORATION BETWEEN CHARITIES

In addition to People's Postcode Lottery bringing its grantees together through networking, there is also a specific fund – The Dream Fund – which encourages innovation and collaboration between charities.

The fund is supported by players of People's Postcode Lottery and awarded through Postcode Dream Trust.

The Dream Fund brings charitable organisations together and encourages them to collaborate on their dream project. A partnership of at least two charitable organisations can apply for funding of £500,000 - £1 million to deliver an innovative, creative and original project.

One of the 2017 Dream Fund winners was Money Mechanics. The project is a collaboration between the Royal Society for Blind Children, MyBnk, and The Royal London Society for Blind People, and was linked to an investigation by the Money Advice Service (MAS) that found young blind or Deaf people in



the UK receive “barely any” specialised financial education. The Dream Fund therefore has the ability to bring together charitable organisations, often from different sectors, to come up with solutions to a shared issue.

The dream of Money Mechanics is to equip deaf, blind and partially sighted young people aged between 16 and 25 with the money management, employability, and life skills that they need to be financially confident. It will help to enable them to take control of their lives, to sustain work, to move into independent living, and to live life without limits. The two-year project will deliver 300 days of education to over 1,000 young deaf and blind people in London and the South East.

SUPPORT WITH MEASURING IMPACT

People's Postcode Lottery grantees and Promoting Societies liked that People's Postcode Lottery have been offering training and workshops in impact assessment. Some had won a People's Postcode Lottery impact grant award, and others said that they were looking forward to learning from the experiences of those grantees who had gone through the impact reporting process to see examples of best practice:

“*The whole impact work was really impressive... they had some impact workshops and the fall out of the workshops was a grant of £25k to do an impact report on how we are effectively measuring the difference that their funding is making.*” **Grantee**

COMMUNICATIONS ASSISTANCE AND MEDIA COVERAGE ABOUT THE GRANT

Many grantees and Promoting Societies mentioned that they had received useful assistance with communications, ranging from informal feedback to practical advice and support. However, this varied between organisations: smaller organisations tended to find it very helpful, but larger ones with their own in-house teams had far less contact with People's Postcode Lottery's Communications and PR staff.

Respondents were aware of expectations that each grantee gets media coverage of their grant. While some found this was a new challenge for them, the majority of respondents said they felt well supported by People's Postcode Lottery and that they could 'tap in' to People's Postcode Lottery's expertise in the area of PR and communications:

“*We've had quite a bit of support on our comms and PR side ... We know we've got a media coverage target.*” **Grantee**

“*In terms of communications, we've got a very small team ... they've had a fair bit of support from the PPL team directly... and as a small organisation that's really helpful.*” **Grantee**

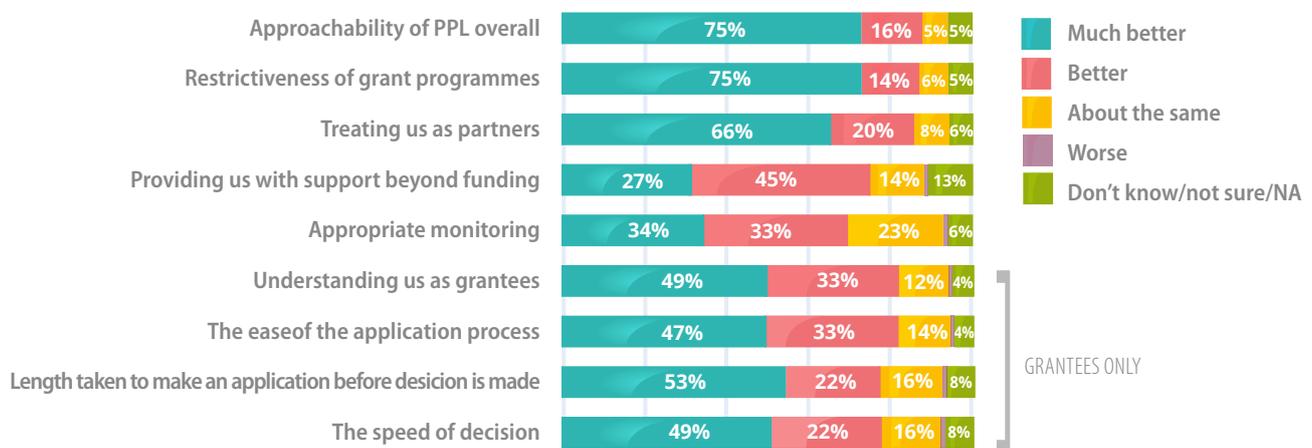
4.5. CLOSE RELATIONSHIP WITH GRANTEES AND PARTNERSHIP APPROACH

Figure 1 showed that the second most mentioned 'best thing' about People's Postcode Lottery support for both grantees and Promoting Societies was People's Postcode Lottery staff (mentioned by 34% and 40% of respondents, respectively). The People's Postcode Lottery team are seen to be available and approachable. Respondents commented on how willing the team were to really understand their cause, and feel the relationship and trust is all the better because of it.

- “ We feel like we have a good level of communications with PPL at all levels - from CEO level down through the charities, comms, social media and public affairs teams.” **Grantee**
- “ From the beginning of the relationship we have always appreciated the contact and support we have had from PPL staff, particularly our Trust Managers. PPL has a very high degree of openness, accessibility and communication - both one-to-one and at events like the Charity Workshops - which is very much appreciated.” **Grantee**

In the online survey we asked People's Postcode Lottery grantees and Promoting Societies how receiving funding from People's Postcode Lottery players compares to other funders against a range of measures (Figure 3). 'Approachability of the organisation overall' and 'treating us like partners' were both areas where People's Postcode Lottery were seen to perform better than other funders (seen as better by 91% and 86% of respondents, respectively).

Figure 3: People's Postcode Lottery compared to other funders



“When you think about your experience of applying for and getting a grant/funding from PPL how would you say they compare with other funders?”

Base: 57 Source: People's Postcode Lottery survey of Grantees and Promoting Societies, nfpSynergy July 2017

Several respondents flagged that they had not experienced such a sense of partnership with other funders:

- “ Conceptually [there is] a real desire on PPL's part to really understand what makes charities tick and what makes them stronger. The internal capacity-building part of it and the encouragement to think how you can build your own strengths is something that again feels pretty unique to me and not something that I have come across particularly with other funders.” **Grantee**

5. RESEARCH INTO OTHER FUNDING MODELS

PEOPLE'S POSTCODE LOTTERY WANTED TO SEE IF THERE WERE OTHER APPROACHES TO PROVIDING FUNDING FOR CHARITIES THAT COULD PROVIDE NEW STRATEGIC AVENUES OR OPPORTUNITIES FOR THEIR ORGANISATION.

To do so, they asked nfpSynergy to look at how other funders and foundations work. We pulled together a number of detailed case studies of other funders and from this identified a number of strategies or funding models. Here are some of them:

TAKING RISKS AND ENCOURAGING INNOVATION AND BEST PRACTICE

Grantmakers often like to fund innovation, but without taking any risks. This is of course a contradiction in terms. Innovation is about taking risks, and some funders like the Esmeé Fairburn Foundation are widely seen as funding innovative approaches, and getting their grantees to develop (and share) best practice approaches.

FINDING PARTNERS TO DELIVER TO A STRATEGIC AGENDA

While some funders have an open door to potential grantees, others are much more selective. The Lankelly Chase Foundation doesn't accept applications, it solicits them when necessary. In the case of Lankelly it is looking for partners who, when working together, will deliver to its own clear strategic agenda. In a sense these kinds of grantmakers are 'operationalising' their strategy through their grantees (or partners as Lankelly calls them).

BEING PARTNERS IN CREATING STRATEGY

While most grantmakers would claim to do due diligence on their prospective grantees, and keep close to those who are successful, some go a step further. The Impetus Trust invests a huge amount in developing and strengthening its grantees. While they get a small amount of money, grantees have an 'Investment Director' who will meet with the grantees regularly (approximately monthly) to drive forward any changes and developments that the Impetus Trust feels the organisation should be making.

GIVING GRANTEES COMPLETE FREEDOM

While most funders have some kind of guidelines, a few set no boundaries and simply ask for good ideas that they might fund. One such example is the Tudor Trust which has minimal guidelines and encourages applicants to submit their ideas for scrutiny (though they have a size ceiling of £1 million). The challenge for a grantmaker like Tudor Trust is how to compare apples and pears and oranges and make grant decisions (which it somehow manages to do).

MULTI-LAYERED CHARITY SUPPORT

Many charities have more challenges than just needing money. They need advice on governance, diversifying funding, working in partnership, advocacy, digital expertise and more. So some grantmakers provide this kind of support with workshops, additional training grants and the like. This kind of support is on top of any financial contribution to an organisation.

USING FUNDING AS LEVERAGE

Charities often have large projects which are beyond the means of a single grantmaker. So a grantmaker like the Paul Hamlyn Foundation has found that one way to tackle this is to provide funding providing that the charity finds another grantmaker to match the funding (or to provide a quarter or even 10% of funding). Theoretically this can allow a grantmaker to make their funding go further, and motivate the charity to find other funders, rather than just depend on a single source of revenue.

PICKING THE AREAS THAT AREN'T EASY TO GET FUNDING

One of the logical areas for a grantmaker to specialise in is those areas where public, corporate, or government funding is harder to come by. Lloyds Bank Foundation for England & Wales provides funding for victims of domestic abuse. As a strategy it certainly makes sense for grantmakers to provide funding where public fundraising is more difficult. This could also apply to the size of organisation (e.g. smaller national organisations finding public fundraising harder).

CORE FUNDING VS PROJECT FUNDING

A similar dynamic to the small vs large strategy, is the core funding vs project funding approach. Our 2012 research showed that the difficulty of getting core funding is one of the biggest bugbears of charities. As is the need to spend a lot of time jumping through hoops with a grantmaker to get funding for a specific (time-limited) project.

PROVIDING A VOICE FOR GRANTEES

When grantees are small, local organisations, or work overseas, it can be hard for them to get their message across to the public, government or funders. Alternatively, some will be reluctant to speak out on issues which might threaten their funding or status. Grantmakers can be perfectly positioned to provide a voice for the voiceless, given their intimate knowledge of the situation of their grantees, and their independent funding.

INSPIRING OTHER GRANTMAKERS, FUNDERS AND GOVERNMENTS, AND CREATING COALITIONS

While most grantmakers keep a low profile, there are a few that try to adopt a profile which encourages others to adopt their positions, profiles or work. One example of this is the Lloyds TSB Foundation for Scotland (now the Corra Foundation) which is pioneering a very focused policy driven approach to grant-making, looking at how it can invest in very local projects to tackle poverty. Another example is the Gates Foundation which has worked hard to bring together coalitions to increase vaccination rates in the developing world (as but one example of its partnerships).

FLEXIBLE RESPONSIVE GRANT-MAKING

One of the constant gripes we hear from charities is the length of time it takes to assess a grant. Our 2012 research suggested 9 months was typical and 18 months or longer was not untypical. Charities would love grantmakers who provide a genuinely quick assessment and decision process, which took around a month or two.

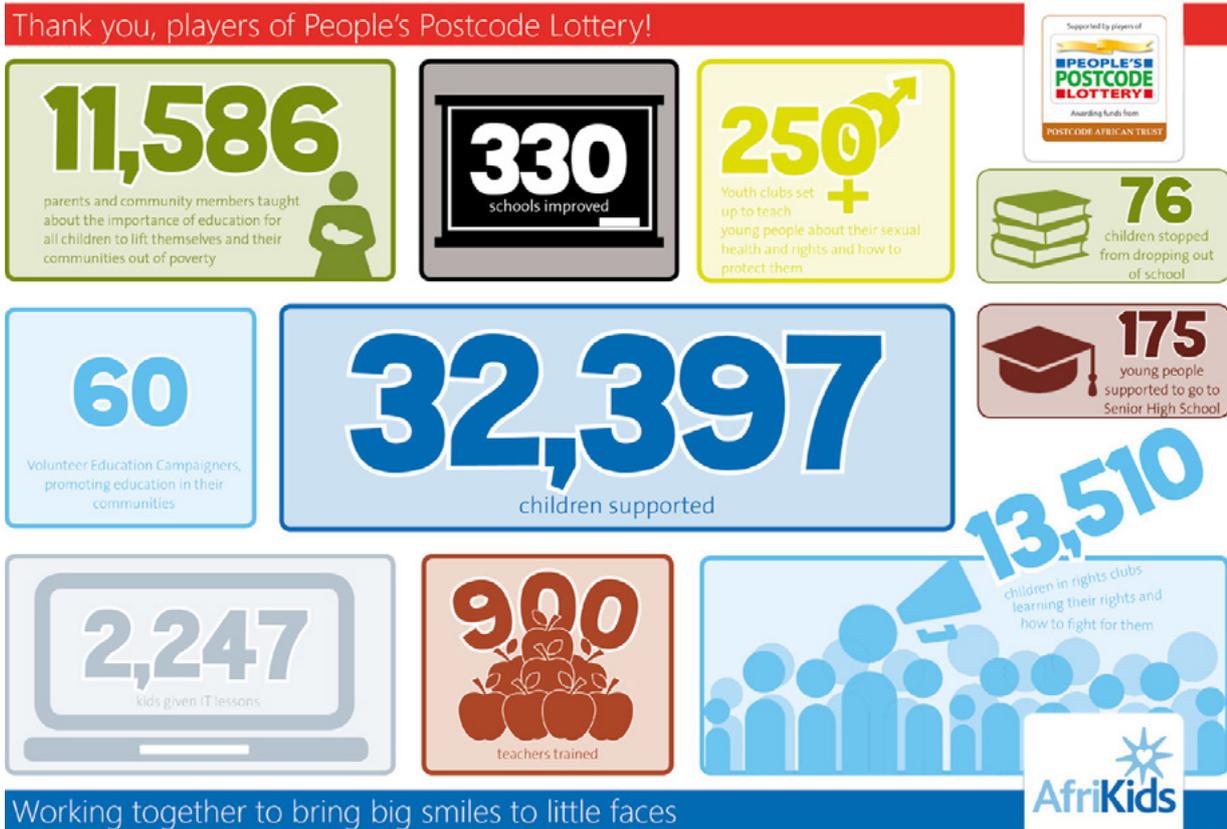
BEYOND JUST GRANTS

There are a growing number of grantmakers (though not normally called that) who make investments and not grants. The Social Investment Business (SIB) is a government funded investor which provides 'loans, grants & strategic support to charities & social enterprises to help them change the lives of the people they work with'. CAF Venturesome provides loans with interest rates akin to commercial organisations, to projects designed to provide social value. Perhaps the most interesting aspect of this approach is how siloed it is: very few other grantmakers provide a loan, or a grant, based on need. It tends to be either one or the other from a funder.

IMPACT CASE STUDY: AFRIKIDS

AfriKids is a small charity on a mission to change the face of aid in Africa. Founded in 2002, the organisation has been changing the lives of children and families in Northern Ghana, where four in five people live in poverty and one in sixteen children die before their fifth birthday.

Support from People's Postcode Lottery players has made a difference across a number of areas, with AfriKids reporting that the impact on their capability has been the biggest area of growth. In 2017 AfriKids invested in training and development for the programmes team in Ghana, to plan for the organisation's long-term growth and efficiency. They also launched a new website, which has increased their web traffic and online donations. Funding from People's Postcode Lottery players also enabled them to focus on strategic planning and developing their Theory of Change; through this process they identified that the Education stream of their work has the most potential to effect sustainable social and economic change in AfriKids' target communities. As such, AfriKids is now increasing its investment in education.



Source: AfriKids' Impact Report Jan - Dec 2017: Transforming Education in Northern Ghana

6. CONCLUSIONS

IN THIS FINAL SECTION WE WILL LOOK AT THE IMPORTANCE OF PEOPLE'S POSTCODE LOTTERY'S FUNDING MODEL, WHAT ASPECTS OF ITS FUNDING WORK IT NEEDS TO HANG ONTO, AND WHAT MIGHT THREATEN ITS CURRENT SUCCESS AND FUTURE GROWTH.

THE IMPORTANCE OF PEOPLE'S POSTCODE LOTTERY

People's Postcode Lottery has a number of critical roles that shouldn't be overlooked. Firstly, PPL players fund charities in a way that few other grantmakers do as we have discussed in the summary. Secondly, support from players of PPL funds types of causes that are not always funded by grantmakers, such as animals or relatively young organisations, or those that have formerly being government-funded. Perhaps most important though is that it creates a more direct link between the giving and lottery-ticket-buying public and those causes that they have heard of and care about. While many grantmakers fund at the behest of their founders or their trustees, PPL is driven by their donors, who contribute through buying tickets.

6.1 WHAT PEOPLE'S POSTCODE LOTTERY SHOULD KEEP DOING?

The summary on page 2 sets out the key elements that are so valued by Grantees and Promoting Societies. These are:

- **Unrestrictive funding**
- **Long-term funding**
- **Scale of funding**
- **Going beyond just grants**
- **Close relationship with grantees**
- **Partnership approach**

These are at the heart of the unique offering of People's Postcode Lottery and the reason why funding from its players allows the charities they support to do so much with the income they receive.

6.2 THE LIMITS ON FUNDRAISING FOR CHARITIES – SOCIETY LOTTERY LAW

People's Postcode Lottery players have significantly increased the amount of funds they are raising in recent years. However, the current law relating to society lotteries is a major barrier to future growth. This is an issue that nfpSynergy has long researched and campaigned about, including in our 2013 report 'A chance to give'. The specific challenges for People's Postcode Lottery are the turnover and draw limits on society lotteries. The turnover limit for a society lottery is £10 million a year and £4 million for a single draw. The prize limit for society lotteries is 10% of the value of tickets in a single draw. As there is a £4 million draw limit this gives a theoretical top prize of £400,000 if every allowable ticket in the draw was sold, however that is very unlikely to happen in practice. These constraints have resulted in a very complicated fundraising model, additional administration costs which reduces the funds available to charities, and restrictions on the amount of funds than individual society lotteries can direct to the charitable causes they support. In addition, the legislation is now also having the impact of reducing the amount of funding going to each individual society lottery managed by PPL, as the growing number of tickets in each draw is having the effect of reducing the number of draws each lottery can have before the £10 million annual turnover limit is reached.

People's Postcode Lottery, The Lotteries Council, the Institute of Fundraising, the Association of Air Ambulances and over 70 major charities are calling on the UK Government to raise the annual turnover limit from its current £10 million to £100 million and the draw limit from £4 million to £10 million. If the society lottery limits are not raised additional administration costs will continue to grow, the fundraising model will be increasingly complex and the funds available from each society lottery will decrease. At a time when the need for long-term unrestricted income by charities has never been greater, it is unnecessary regulation which is creating a barrier to future society lottery growth.

7. APPENDICES

7.1. METHODOLOGY

ONLINE SURVEY OF PEOPLE'S POSTCODE LOTTERY GRANTEES AND PROMOTING SOCIETIES

- nfpSynergy surveyed PPL grantees and Promoting Societies between 23 June and 14 July 2017.
- 51 out of the 58 grantees to whom the online survey was sent responded to the survey (88% response rate). 13 Promoting Societies responded to the survey. At the time of conducting the research, People's Postcode Lottery had 11 Promoting Societies, suggesting some organisations had more than one respondent completing the survey and that the response rate was 100%.
- The overall response rate was approximately 90%.
- Grantees were defined as those organisations who received funds from players of People's Postcode Lottery, as a grant from one of the Postcode Trusts; Promoting Societies as those who received funds from players of People's Postcode Lottery as a Promoting Society (previously known as Direct Beneficiaries).

IN-DEPTH INTERVIEWS WITH GRANTEES AND PROMOTING SOCIETIES

- nfpSynergy interviewed 10 People's Postcode Lottery grantees and 6 People's Postcode Lottery Promoting Societies between the 6th September and 4th October 2017.
- The interviews were conducted by telephone and each lasted around 45 minutes.
- Interviewees were selected so that there was a range of sizes of organisations represented and a mixture of those who have recently been funded by People's Postcode Lottery and those who had a more established relationship.

DESK RESEARCH INTO DIFFERENT FUNDING MODELS

- nfpSynergy carried out analysis of 18 other grantmakers' funding models.
- The sample was selected after discussions with People's Postcode Lottery to establish which organisations were most relevant.
- The selection criteria included:
 - GB registered
 - Funding activities in GB
 - National (GB)-wide funding available (i.e. not just within one region)
 - Awarding funding of over £2 million per year
 - Similar areas funded to the areas People's Postcode Lottery funds
- The analysis was based on publicly available information (i.e. from the organisation's website and accounts). A breadth of data was analysed, including:
 - Overall size of grants programme each year
 - The application process and how grants are awarded
 - The restrictions of grants and the reporting protocols
 - The size of grants and their longevity
 - The size of charities receiving grants and their sectors
 - The length of a typical grant
 - The type of grantmaker (e.g. private, corporate, endowment etc.)
- Any other non-financial support offered by the grantmaker

7.2. ABOUT NFPSYNERGY

NFPSYNERGY IS A RESEARCH CONSULTANCY THAT AIMS TO PROVIDE THE IDEAS, THE INSIGHTS AND THE INFORMATION TO HELP NON-PROFITS THRIVE.

We have over a decade of experience working exclusively with charities, helping them develop evidence-based strategies and get the best for their beneficiaries. The organisations we work with represent all sizes and areas of the sector and we have worked with four in five of the top 50 fundraising charities in the UK.

We run cost effective, syndicated tracking surveys of stakeholder attitudes towards charities and non-profit organisations. The audiences we reach include the general public, young people, journalists, politicians and health professionals. We also work with charities on bespoke projects, providing quantitative, qualitative and desk research services.

In addition, we work to benefit the wider sector by creating and distributing regular free reports, presentations and research on the issues that charities face.

7.3. ABOUT PEOPLE'S POSTCODE LOTTERY

PEOPLE'S POSTCODE LOTTERY WAS PILOTED IN 2005 WITH A CLEAR GOAL – TO BECOME AN INNOVATIVE FUNDRAISING OPERATION AND RAISE AWARENESS FOR THE GOOD CAUSES THAT ITS PLAYERS SUPPORT. IN 2017, PLAYERS RAISED £93.3 MILLION FOR CHARITY (£30 MILLION MORE THAN WAS RAISED FOR CHARITY IN 2016).

When People's Postcode Lottery players sign up, they play with their postcode. That means that lucky neighbours win together. As a subscription based lottery, once players sign up they are automatically entered into every draw each month, with a chance of winning prizes every single day. All of People's Postcode Lottery's prizes are guaranteed, as only playing tickets are entered into the draws. With a minimum of 32% of all ticket sales going directly to charity, players are raising funds and awareness for (to date) over 4,000 good causes across Great Britain and internationally.

People's Postcode Lottery players say that when they join, it's win-win – because they know that even if their postcode isn't drawn, they are still raising money for the charities and good causes that are regularly local to them and that they care so much about.

People's Postcode Lottery is a part of the Novamedia family. With sister lotteries in the Netherlands, Sweden and Germany, they're a key part of the world's third largest private charity donor.

The majority of People's Postcode Lottery funding is long-term and flexible, meaning that charities and good causes can spend the money where they need it most. In addition, they provide a platform for good causes to raise awareness for their work across Great Britain as well as internationally – encouraging innovation.

People's Postcode Lottery's commitment to their charities, alongside their players, gives them the energy and inspiration to achieve even more for charities year after year.

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