

current trends



Government funding

Will the outsourcing of government funding to Capacitybuilders, Futurebuilders and the like actually improve the funding process? Yes it will, says Ben Wittenberg, as the current state of affairs is pretty dire

Government is a rubbish funder. A sweeping statement of course, but if you ask the National Audit Office, the Compact Commission, any number of independent research studies, and many recipients of statutory funding, on the whole, they will agree.

Not only that, but they are also likely to agree that this has been the case for a very long time. Applying for the stereotypical government grant involves two weeks notice from opening to closing date, a thirty page application form with a hundred page guidance document, a five-month wait to hear whether you have been successful, followed by late payments that don't cover core costs if you're successful, and no feedback to help next time if you aren't. But could this arduous and inefficient process soon become a thing of the past?

We know why government is such a bad funder: in a nutshell there is an institutional lack of understanding (of the sector, and the organisations in it), a lack of knowledge (about grant making), and a lack of resource that makes it impossible to address that lack of knowledge and understanding.

Making grants is only ever a tiny proportion of the work that a particular department, directorate, local authority does, and as such (at least from a statutory perspective) the incentive to invest in improving performance is reduced.

That is one reason why us banging on about government needing to understand the sector better doesn't get us anywhere, and why recommendations for more straightforward application forms, longer application windows, full cost recovery etc. seem to bounce straight back.

But strangely, it could be that lack of resource that fundamentally changes the way that government funds the sector.

Funding (and finance) for capacity building is already outsourced to Capacitybuilders and Futurebuilders, and the Third Sector Review outlines a number of other programmes that will be wholly or partly administered by third parties, specifically Community Endowments, the Small Grants Programme, and the Community Assets Fund. Also, an increasing number of government departments are outsourcing administrative

elements of their own funding programmes, with initial sifts (which result in the roughly 50 per cent of ineligible applications being discarded) now routinely being conducted by third parties.

This brings some significant benefits to statutory funders. In the case of Capacitybuilders and Futurebuilders, central government retains a significant amount of control over their strategic direction with none of the responsibility or direct cost of delivery. If they are successful it's a success for government, if not, someone else will get the money next time. With specific funding programmes, delivery by a third party brings similar benefits. On a micro-level, outsourcing the initial sifts or data entry elements of funding programmes reduces fixed costs and removes what would otherwise be an additional workload for existing staff.

Somewhere at the core of all of that is the acknowledgement, however implicit, that they are not good at making grants, and that there are other organisations or bodies that can do it better (or more cost-effectively). But could these examples provide a much wider blueprint for government funding for the future? If you know broadly what you want to achieve but have no idea how to do it, set up an organisation to determine the needs and re-grant your money. If you have clear objectives, give the money to an existing funder that has the dedicated skills and resources to manage a grant programme effectively. If you do run a grant programme yourself, outsource the administrative elements to keep your direct costs down.

So with no centrally administered government grants, what would the impact be on the sector? Better grant-making, more predictable funding schedules, clearer guidance and requirements? Maybe, but clearer differentiation between statutory giving and procurement is essential if the relationship between sector and government is to develop, and if funding is outsourced, who needs a Compact? Imagine funding done by proper funders, and commissioning – take your chances with everyone else.

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