

Critical Conditions

Investigating the transparency of grant terms and conditions

— Summary findings —

Since 1974 DSC has published funding directories and campaigned for greater transparency from funders. Transparency has improved but remains lacking in the terms and conditions that govern grant funding for charities and other voluntary organisations. DSC considers this to be an obstacle to effective fundraising and a largely unrecognised but significant threat to organisations' independence.

DSC's Great Giving campaign aims to improve relationships between funders and funded organisations (see back cover for more information). Part of the campaign calls for the eradication of 'hidden small print' – making sure that all funders provide information about their terms and conditions publicly at the start of the application process.

This document presents the summary findings from *Critical Conditions*, DSC's research into the transparency of grant terms and conditions.

Critical Conditions:

- examines the visibility and availability of grant terms and conditions
- examines the scope for grant recipients to negotiate terms and conditions
- examines the trends in behaviours and differences between types of funders
- makes recommendations for best practice and suggestions for future areas of research.

To download a free copy of the full *Critical Conditions* report, go to www.dsc.org.uk/greatgiving

DSC plans to carry out further research into the detail contained within funders' terms and conditions. Future work will focus on their impact on the voluntary and community sector and developing recommendations for action.



The impact of hidden grant terms and conditions

When grant terms and conditions are not publicly available they inhibit good fundraising practice, strategic decision-making, organisational independence and sustainability.

If terms and conditions are not available at the point of application:

- applicants cannot make a fully informed decision about whether to apply
- it is difficult to negotiate terms once time has been invested in the application process, or once an offer is on the table
- applicants can be tempted to sign an agreement but ignore terms, jeopardising the organisation, the project and the beneficiaries
- terms and conditions cannot be easily subjected to public scrutiny and challenge
- both funders and applicants cannot compare notes on best practice, share common grievances or offer collective solutions.

When terms and conditions are non-negotiable:

- applicants can be faced with a 'take it or leave it' situation, forced to choose between compromising their own values or practices and not accepting much-needed funding
- funders lose opportunities to fund important work because of inflexible terms.

Research findings from *Critical Conditions*

Central government grant programmes and larger trusts and foundations are most likely to have terms and conditions that cover their grant funding:

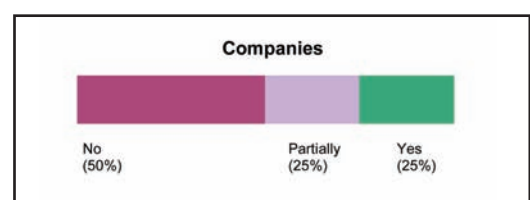
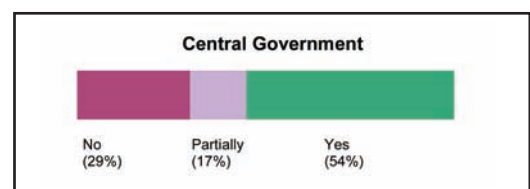
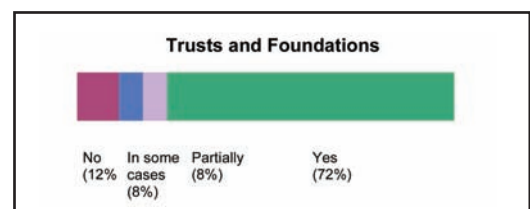
- 100% of central government respondents said that they had terms and conditions for their grant programmes
- 86% of the trusts and foundations that responded had terms and conditions
- responses from companies suggested that they are least likely to have terms and conditions.

Terms and conditions from trusts and foundations are more transparent than those for central government:

- 54% of central government respondents said their terms were fully available to all prospective applicants, compared with 72% of trust and foundation respondents
- only 23% of central government respondents claimed they made terms and conditions available online for anyone to access, while the figure for trusts and foundation respondents was 53%
- responses from companies suggested that they are least likely to make terms and conditions available.

...applicants can be tempted to sign an agreement but ignore terms...

Are your terms and conditions publicly available, or made available to all prospective applicants?



Recommendations for funders

Government departments receive more requests from applicants to negotiate terms and conditions, yet they are the most resistant to negotiating them. Trusts and foundations seemed to be more flexible, but a large percentage still preferred not to negotiate:

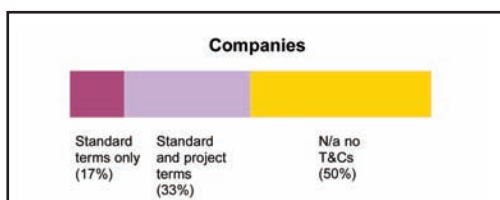
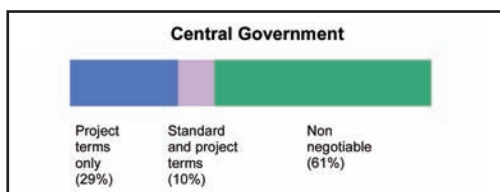
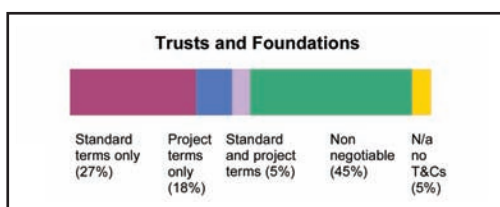
- 61% of central government respondents stated that they were not open to negotiating any terms and conditions with applicants, despite a majority having had requests to do so by some applicants
- 45% of trust and foundation respondents were not open to negotiating terms, with 20% of them receiving requests to negotiate
- none of the companies included in the study said that their terms and conditions were non-negotiable, yet they had the lowest percentage of requests to negotiate.

Funders should:

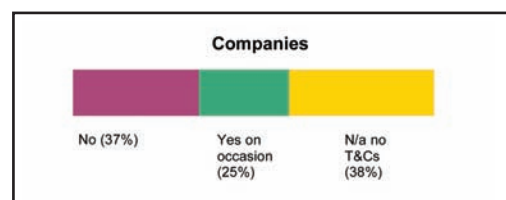
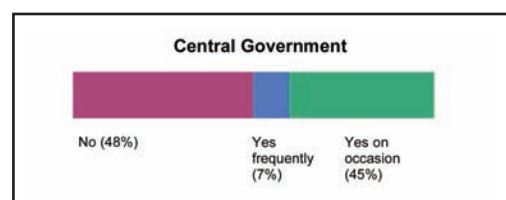
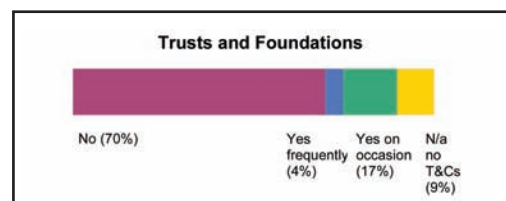
- provide terms and conditions to all prospective applicants at the start of the application process
- make terms and conditions available online along with all application materials. They should be clearly labelled as terms and conditions and available for anyone to access and evaluate (including other funders, researchers, policymakers and journalists)
- if terms are tailored to funding proposals, be clear about what the terms and conditions will cover and when they will be issued, so that applicants can prepare for success
- be willing to discuss any issues with applicants at an early stage, explaining the reasons for the terms and why they are needed. This should save time and effort for everybody involved, by helping applicants to make better decisions, and reducing disruptions to the funding process
- be open to negotiating terms and avoid a 'take it or leave it' approach, taking time to understand any objections and find a solution if possible
- review terms regularly to ensure that they are up-to-date, performing their intended function and suit the funded project.

The research for *Critical Conditions* focused on grant funding, but the principles above could apply just as easily to other funding mechanisms, including contracts with statutory bodies or companies.

Are you open to negotiating any of your terms and conditions with applicants?



Have applicants ever requested that terms and conditions be negotiated?



DSC's Great Giving campaign

The Great Giving campaign aims to improve the relationships between funders and recipients of funds, by achieving the following:

A clear picture of the funding environment

- more comprehensive information about where funding is going and what it is supporting
- a greater understanding by funders of that information and their responsibility to understand the environment in which they are operating
- better planning and decision-making from funders and policymakers.

For more on DSC's Funders' Almanac, which supports this aim, go to www.dsc.org.uk/greatgiving

Accessible funding for campaigning

Financial support for campaigning is vital to achieving social change. Greater clarity from grantmaking trusts about whether they will fund campaigning activity is needed to support this aim.

As part of ongoing research for our fundraising publications and websites, we will clearly identify funders that support campaigning and will encourage them to specify how they provide this support.

Download the Funding for Sustainable Change report at www.dsc.org.uk/greatgiving

An end to 'hidden small print'

We are asking funders to provide all information that governs the use of funds to be available at the point of application, and to be open to negotiating terms when applicants request it.

No ineligible applications

We know that most funders receive applications that do not fall within the funder's guidelines. Clearer guidelines can help, but applicants also need to take more heed of funder guidelines and target applications appropriately.

We are researching how much time and effort is wasted on ineligible applications and our forthcoming report will contain findings and recommendations for funders and fundraisers.

About the Directory of Social Change

The Directory of Social Change has a vision of an independent voluntary sector at the heart of social change. We believe that the activities of charities and other voluntary organisations are crucial to the health of our society.

Through our publications, courses and conferences, we come into contact with thousands of organisations each year. The majority are small to medium-sized, rely on volunteers and are struggling constantly to maintain and improve the services that they provide.

We are not a membership body. Our public commentary and the policy positions we take are based on clear principles, and are informed by the contact that we have with these organisations. We also undertake campaigns on issues that affect them or which evolve out of our research.

We view our role as that of a 'concerned citizen', acting as a champion on behalf of those smaller organisations whose needs may not be accounted for in public policy. We ask critical questions, often challenge the prevailing view, and try to promote debate on issues that we consider to be important.

For more on DSC's policy principles see www.dsc.org.uk/NewsandInformation/PolicyandCampaigning