DIRECTORY OF SOCIAL CHANGE

INFORMATION AND TRAINING FOR THE VOLUNTARY SECTOR

Towards a Fair Deal on Grants

DSC response to Cabinet Office consultation on 'doing more with less'

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Jay Kennedy
Head of Policy
Directory of Social Change
24 Stephenson Way
London
NW1 2DP
Tel: 020 7391 4800
www.dsc.org.uk

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 in contact with thousands of organisations each year. The majority are small to medium-sized, rely on volunteers and are constantly struggling to maintain and improve the services 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 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 the voluntary sector in its widest sense. We ask critical questions, challenge the prevailing view, and try to promote debate on issues we consider to be important.

Background

The Government's attitude towards reducing bureaucracy and red tape must be applied to the way it funds the voluntary sector, because too much of what is done at the moment costs money but has no value. The argument should be not just about *what* it is funded, and what that costs, but about *how* it is funded and what that costs.

The last Government put significant effort into trying to improve the way it funded voluntary and community organisations, particularly in the early 2000s. Unfortunately, too often good policy was developed but then suffered in the implementation. There were, for example, many good ideas in the *2002 Treasury Cross-Cutting Review* that were not properly implemented, or were abandoned.

National and local grant funding during this period became characterised by increasingly complex application processes, monitoring and guidance. Project funding and a general attitude of risk aversion became the norm. For many voluntary organisations, this meant simply applying for funds was often impossible. For those who did succeed, there was less time to focus on core activities, and a pervasive feeling that they were simply not trusted.

The current financial climate brings pressure to cut programmes. Some programmes do need to be cut or drastically revamped. But what risks getting lost in melee of organisational self-interest is that there are relatively simple ways to make the existing funding work better for everybody – not just for government, but for those doing the work on the ground.

How can the Government do more with less?

With the current state of public finances it goes without saying that all spending is being scrutinised for its cost-benefit. For the Office of Civil Society, a significant amount of the budget is taken up with various funding programmes for the voluntary sector.

We have not included specific suggestions about the OCS budget within this paper, but would suggest three principles to consider when making cuts and associated changes to activities (some of this may be stating the obvious):

1) OCS and Government more widely should avoid creating new structures or institutions that need to be maintained by public funding – it should look first to those that already exist to deliver.

2) OCS-funded programmes/projects should be moved to a sustainable footing wherever possible (this might mean significant changes in form / structure / ownership). Some organisations or institutions may need to change significantly.

3) Funding which has an impact across many local communities, or across many different areas of work, should be prioritised, ahead of that which has mainly national impact or narrow reach.

Towards a Fair Deal on Grants

Currently there is much policy discussion about innovations in funding. Some of this may prove valuable but much of it is theoretical and untested in the real world. There is a danger that we focus too much on inventing ever more complicated new wheels, at the expense of making the ones we have work better (and more efficiently).

DSC has a wide perspective on all kinds of grantmaking – from charitable trusts and foundations, corporations, the Lottery and government sources. We have run the www.governmentfunding.org.uk website since 2003, and we have published several books on the topic before and after that time.

Making grants should not be rocket science but government often does it badly. In our research we have examined thousands of government grant programmes, giving us a unique insight into the way they work (or don't work very well) across different departments and policy areas.

We believe some relatively simple steps could lead to better value and reduced costs, benefiting both government and organisations receiving funds. Below we sketch out some of the main problems and suggest how they could be addressed.

Systemic problems with government funding

1) **Annuality** – being tied into annual budget cycles causes a number of problems, including:

- regular delays in awards being made, which impacts delivery
- unrealistic time frames for civil servants to deliver changes to programmes, or deal with unanticipated events (like greater demand)
- gravitational pull towards short-term funding, or claims that the funding period is longer than it is (i.e. multi-year but subject to annual review)

2) **Instability** – closeness to political system and core policy objectives leads to:

- sudden shifts in project design, direction and outcomes
- unexpected additional requirements (changing outputs, priorities, costs)
- short life-span for programmes, lack of long-term objectives
- poor design at outset (programmes rushed into existence)
- little learning at the end (programmes discontinued for political reasons)

3) **Specificity** – narrow, politically defined objectives lead to:

- excessive and complex guidance, which ironically makes it harder for the fundraiser to determine eligibility
- organisations jamming core work into project-shaped boxes
- lack of investment in core costs (the reason for full cost recovery)
- excessive attention paid to fulfilling targets rather than effective work
- even programmes which fund core costs (e.g. strategic partners) demand allegiance (i.e. 'to promote government policy on x,y,z' with the unwritten rule that you don't challenge anything)

4) **Lack of investment in good practice** – not enough learning about how to fund well

- in-house grant management skills not seen as something to develop / acquire (managers often junior-level and can be seconded from other primary responsibilities)
- turnover in civil service contacts inhibits institutional memory and sensible longer term decision-making
- changes in process too often dictated by internal bureaucratic priorities, not the needs of those being funded or project outcomes

5) **Risk aversion** – constant demand for innovation not matched by attitude to risk in practice:

- excessive, one-sided funding terms and conditions whose main function is to protect the funder from risk, and transfer it to the funded organisation
- excessive monitoring and evaluation which is not used to inform programme development or improvement in outcomes
- unnecessary involvement in minutiae of project spending

What's the solution?

Government could achieve better outcomes, greater efficiency in its funding, and better treatment of groups in receipt of funds by doing the following:

1) **Devolving fund administration** – there are different levels of devolution, which can be viewed as different stages of 'letting go'. Or, they can be used at the same time, or for different circumstances:

- Invest in the internal departmental teams which manage funds. Enable them to improve processes by treating them as semi-independent entities within the department with the freedom to make decisions about how funds are administered.
- Outsource fund administration to organisations with grantmaking expertise. Recognise that micromanaging the relationship reduces the benefits of doing it in the first place.
- Provide / facilitate funds for broad objectives then withdraw direct involvement for a specified period (i.e. review every 3 or 5 years). There is huge potential here but it carries risk, and goes against the grain of government behaviour for the past 15 years.
- Work with local funders (Community Foundations, CVSs, Development Trusts) to build funds for broad objectives, perhaps in defined geographical areas or areas of need, use funding as capital to attract other money

2) **Reducing funding 'regulation'** to the minimum possible:

- Introduce two-stage application processes as standard for all but small grants (which should be one simple stage). This minimises the burden on both applicants and assessors, and reduces costs.
- Require that organisations only report once a year on the funded activity.
- Only ask for information that will be used. Work from Project Streamline in the US argues that funders should 'start from zero'
- Look to develop realistic and intelligible reporting on outcomes – which must be understood by grants managers / commissioners
- Provide funding information in a standard format (not standardised content, but standardised types / categories of information)
- Require funding terms and conditions to be published (with a guideline that they should be preferably no more than two sides of A4)
- Assume up-to-date audited accounts on file at the Charity Commission to be sufficient evidence of organisational integrity, except perhaps for grants above a certain high threshold
- Get grants managers out of the office to visit projects, instead of relying on paperwork to assess performance

3) **Re-examining the case for core funding**

- Core funding for organisations is disappearing, or has become loaded down with targets and bureaucracy. Rather than indicating dependency, it can be vital to demonstrating viability to other funders, helping to maximise the money brought in from other sources.
- Base core funding on achievement of outcomes over long periods. For example, give Oxfam x amount of money to achieve y on Millennium Development Goals. If those are not achieved at the end of the funding period, fund another organisation.

4) **Improving data capture and learning**

- Introduce an online system for managing applications across central government departments, to save administration and standardise processes (saving administration for both funders and applicants)
- Capture standard data on government funding through same system (what orgs are being funded, what size are they, what type of work do they do, where they are located, type of funding, amount of funding etc)
- Build in (costed) evaluation and learning into programme design – both for the funded organisation and the funder, and make this learning publicly available

5) **Acting as a catalyst for / convenor of better funding practice across government**

- As a starting point, consult your own staff about their own expertise, and give them the freedom to 'think outside the box' – push them out of their boxes if you need to
- Invigorate communication between grants managers in different departments by making it a priority and allocating resources to support it.
- Engage with external sources of expertise about funding; participate in and help develop forums for doing this.
- Lead discussion and sharing information about funding practice between government departments at a strategic level.
- Work with independent funders and the BIG Lottery Fund to see how their work can be applied to improve statutory grants.

Revisit the analysis and proposals in *Voluntary Action*

We think it would be worth revisiting the analysis in the *Voluntary Action* paper, much of which is excellent, and echoes many of our points above:

From *Voluntary Action*:

The next Conservative Government will set out a fair deal on funding – implementing it with regard to central departments and agencies, and promoting it to other statutory bodies.

Key features of the deal will be as follows:

- *Multi-year funding as the norm*
- *Simplification and stability of funding streams*
- *Grants to be specified as lightly as possible, with a significant proportion of largely unspecified demand-led funding*
- *Greater diversity in the size of grants made available*
- *Localisation of grant funding decisions*