



Grants 2.0 – Grants for the Future

A policy paper from the Grants for Good campaign

The government is right to recognise the importance of grants. This is an important issue not only for the government's relationship with the charity sector but also for how the government funds services, supports innovation and empowers communities. All the evidence is clear. The government cannot just have one tool in the toolbox – contracts – but it must equip itself with a variety of funding mechanisms.

Grants should have a big role to play in the future, particularly in resolving the long-term issues around our aging population, social cohesion, improving our environment and boosting the UK's economic performance.

Grants are also critical for innovation. For example, they have been vital to the development of digital technology over recent decades. Much venture capital in the digital economy is treated like a grant would be in our charity sector. If they are good enough for the digital economy, why are they not good enough for charities and other services the state supports?

As the department responsible for digital, DCMS is in a valuable place to bring together lessons learnt from digital innovation and the experience of charities over recent decades.

Grants are vital to delivering both better outcomes for beneficiaries and saving money in the long term

The previous Secretary of State for Digital, Culture, Media and Sport, Matt Hancock MP, recently said that he wanted to see "Grants 2.0". In his words, these grants could be made in a way that need not sacrifice "the efficiency and focus on outcomes that contracts are designed to achieve." But what does this mean in practice?

Principles of Grants 2.0

We believe that the government must learn lessons from the past to make Grants 2.0 successful in the future. We have encapsulated these into a set of principles which the government should embed across national and local government:

- **Parity of esteem** – grants should be considered on an equal footing rather than as a poor relation to other forms of funding such as standard or payment by results contracts or social impact bonds. Unless there is a parity of esteem any reforms to grants within government run the risk of being ignored by commissioners.
- **Long-term** – in general, grants should be run over several years, not one-year budget cycles and they should be geared towards long term change or innovation, but it can be appropriate to use short-term grants in certain circumstances. To foster innovation and encourage investment, grants should be paid upfront and not in arrears. This will ensure that grantees can think for the future rather than worrying about cash flow.
- **Flexible** – grants should be used where government trusts the expertise of the charities it is funding; and/or where it does not have a strong evidence base of what works and/or where needs are constantly changing and evolving. As a consequence, grants must be flexible with broad targets in terms of outcomes but with the ability to adapt to changing needs. **Grants should be unrestricted by default** as this enables organisations to use the money given in the way that they see best, rather than sticking to agreements which may be out of date or based on assumptions found to be incorrect.
- **Relationship building** – grants are effective where there is trust between funder and recipient. Trust requires good relationships. Grants should be designed to build relationships between commissioners and charities. This means dialogue and conversation between equal partners about progress and improvement, rather than focusing on a narrow legalistic approach to enforcing contract terms. Longer term grants should be open to regular review so that both sides can adapt the relationship based on their experience of delivery. As part of this, the independence of the grantee must be respected and they should be able to campaign and feed into government where it is in the best interests of beneficiaries and service-users.
- **Proportionate** – the monitoring, data gathering and evaluation of grants must be proportionate in general and to the size of the grant and the grantee. There should be no one-size fits all approach to grants. Grants should be created in collaboration with those that they fund rather than being an “off the shelf” product. We should also make sure that grants enable the government and charities to learn from delivery. Grants should always be future facing, seeking to identify emerging needs or challenges which may require further intervention.

- **Value of small** – grants are particularly important for small charities. Grants must be built in a way that make them open to small charities. This means giving reasonable time for applications, making application processes clear and as simple as possible and giving small charities the support that they need to apply.

How could Grants 2.0 be delivered in practice?

Getting commissioners out of the office

Grants 2.0 requires a fundamental shift in the way that the government has viewed grants. Rather than seeing grants as an old fashioned and less effective way of funding services, grants should be seen as a way of funding initiatives where the evidence base is patchy or where there is already expertise.

Simply put, grants are where the commissioner does not know best. This is not their fault and the government should not blame commissioners or see grants as a stop-gap measure. People and communities are constantly evolving; it is impossible for commissioners to always know exactly what services are required for citizens now and in the future. This is particularly true where the citizens concerned are subject to multiple disadvantages. Grants are particularly useful when developing projects for people with complex and multiple needs, compared with procuring goods or simple, linear services where a contract may be all that is required.

This requires a sea-change in the way that government thinks about commissioning. Rather than trying to *know* what the best way to achieve an outcome is, it is up to commissioners to *identify* needs or where support should be provided to achieve the objectives of the public body. One role of the grant is to fund others to provide interventions based on their expertise and knowledge, with their understanding that this expertise and knowledge will enable them to deliver better interventions.

Commissioners need to be given the opportunity to build relationships and to support charities over the long term. This means that commissioners need to be given the resources to get out of the office and into the community, so that they can identify charities and other partners who can deliver outcomes effectively.

A learning process, not top down targets

Grants 2.0 should be built around a shared endeavour by both funder and recipient to *understand* the challenges of citizens and *learn* how best to deliver effective interventions.

This means moving away from top down targets which are narrowly interpreted to give comfort to both parties that they cannot be blamed for failure, towards a learning process where both sides enter into a partnership to evolve, adapt and improve as they interact with the needs of beneficiaries.

This will require commissioners to make time but it will save time and capacity over the long term, compared with current commissioning practice which sees regular, often unnecessary and inefficient, retendering of services and dealing with the failure of unsustainable contracts.

This can be done under the existing procurement rules. It is a myth that for example EU rules always require commissioners to use contracts. Government at local and national level needs to do more to use the flexibility within the rules, such as using Innovation Partnerships which can enable grants to achieve their true potential. Government should also make use of the “light-touch” regime for grants which are below EU procurement thresholds.

Government should reach out to charitable foundations which have experience in developing these approaches. Not only will this lead to better outcomes but it will also create an evidence base for the government on what works and what doesn't work, stimulating innovation and improvement in other areas.

Grants must be properly resourced

Cutting corners and “salami slicing” as a way to generate savings has simply not worked. Short term savings are made, but then costs rise in the long term and interventions become more expensive because needs have come acute rather than being met at source.

Grants can be just as efficient and cost-effective as contracts or payment-by-results but it depends on the time scales that are considered and how government measures value. Grants should not be considered on the same short-time scales that contracts are awarded. Whereas contracts may be advantageous where the intervention required is tried and tested and the parameters fully known and the intervention required is simple, grants can deliver in the midst of uncertainty. This necessarily takes time but because of the thorny nature of the issues that they are seeking to resolve, their success can bring significant long-term benefits to citizens and savings to the public purse.

At their core, however, they must be fully resourced. There is a worrying trend towards charities subsidising services which have been, up till now, funded purely by the taxpayer. Legitimate overheads must be *explicit* and built into the design of grants rather than simply being asked to deliver more for less without any time or support for raising additional resources. It is important that grants are not seen as “contracting on the cheap”. However, when done well and properly designed, grants can be more cost effective and less resource intensive than contracting, retendering and fruitless competition.

Independence must be respected

One of the premises of grant funding is that the organisation being funded knows more about the needs of the citizens than the state commissioner. What enables charities to become experts in what they do is their independence. Whilst public bodies are naturally limited in what they can do and how they can innovate, charities are able to do things differently.

As has been noted many times, charities are also able to build trust with communities that are suspicious of the state. Again, it is their independence which is seen as critical to that trust building.

One of the ways that charities demonstrate their independence is through using their voice and campaigning. This sends a signal to beneficiaries that they are on their side and it also enables them to promote their expertise.

Grants 2.0 should recognise that independence is critical to successful interventions by charities. This means that “gagging clauses” should be dropped and limitations on the use of grant funds for campaigning should not be centrally proscribed. Rules should be set on a case by case basis by commissioners with a consideration for the public interest.

There must also be equality between private and charitable sectors. Big private sector outsourcing bodies do significant amounts of campaigning and lobbying, despite their funding coming from the taxpayer. The government does not seek to fetter their independence through contracts, the same should be true of charities which are supported through grants.

Big opportunity

If the government gets this right and rehabilitates grant making in the public sector, this could have a significant impact. For many of the social and economic challenges we face, we need long term collaboration between the state and the charity sector. Grants are the most effective way to achieve this.

The evidence is clear that when grant giving is done well, it can be transformational.

There are people and communities across the country that need the transformational power of grants.

We stand ready to work with the government to make Grants 2.0 a reality – learning from the mistakes of the past and using the best evidence that we have at our disposal today.

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Grants for Good campaign

Grants for Good is a coalition of charities which believes in the huge value of government grant-making to the voluntary sector and aims to protect it. More information can be found at <https://www.dsc.org.uk/grantsforgood/>. The following organisations are members of the Grants for Good coalition:



Founded in 1974, the Directory of Social Change (DSC) is a national charity which supports an independent voluntary sector through campaigning, training and publications. DSC is the largest supplier of information and training to the voluntary sector, and its work helps tens of thousands of organisations every year achieve their aims. www.dsc.org.uk



Clinks supports, represents and campaigns for the voluntary sector working with offenders. Clinks aims to ensure the sector and all those with whom they work, are informed and engaged in order to transform the lives of offenders and their communities. www.clinks.org



Charity Finance Group is the charity that champions best practice in finance management in the voluntary sector. We are membership organisation, and over 1,350 charities are members of CFG. Their members collectively manage over £21.1billion, which represents almost a third of the charity sector's income. www.cfg.org.uk



Children England is the leading membership organisation for the children, young people and families' voluntary sector. With member organisations working in all parts of the country ranging from small local groups to the largest household names in children's charities, Children England is in a unique position to use the collective voice of the voluntary sector to achieve positive change for children. www.childrenengland.org.uk.



Lloyds Bank Foundation for England and Wales is one of the leading community grant makers. An independent registered charity funded by the profits of Lloyds Banking Group. The Foundation invests in small and medium-sized charities supporting people to break out of disadvantage at critical points in their lives and promotes practical approaches to lasting change. <https://www.lloydsbankfoundation.org.uk/>



Locality is the national membership network for community organisations. It supports community organisations to be strong and successful, to meet local needs and to give people a purpose, a good place to live and good health. Every week our membership network supports over 400,000 people, helping to transform lives. <https://locality.org.uk/>