

# Making it count:

## Overcoming the barriers to better grant-making

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## Summary

Grant-making is a powerful part of the social sector's finance mix, the value of which is hard to capture in numbers alone. Grants can do things that other types of finance often cannot, such as enabling innovation, growth, and future planning. Grant-making done well confers other distinctive benefits on both granters and grantees, while often also unlocking other income streams.

Most of the funding that comes to charities and community groups from within the social sector is in the form of grants. Charitable trusts and foundations are among those organisations best positioned to give grants in a way that capitalises on their potential value. The independence of charitable grant-makers enables them to take risks, support marginalised causes, fund long-term solutions to knotty problems and work with diverse partners. The value of grant-giving by foundations has increased in recent years, and there has been striking innovation and flexibility by many in response to the challenges of the Covid pandemic.

Yet the ways that some funders disperse grants create problems for charities and their beneficiaries and holds back the sector from achieving its full potential. This research examines the reasons behind this situation and how the good practice demonstrated by some funders can be spread across more of the sector.

Three broad problems currently hold grant-making back:

- **Short-termism**, in the length of time for which grants are offered, leads to uncertainty and inefficiency among grant-seekers, alongside a tendency to prioritise narrowly conceived projects in the present over investment in an organisation's ability to develop and deliver its mission in the longer term.
- **Sub-optimal processes**, including, most obviously, expensive and cumbersome application and monitoring processes that directly reduce the value of funds, but also more strategic factors such as determining where and how to direct funds, meaning that funding does not always go to where it can have the most impact.
- **Reproduction of wider social inequalities**, meaning that some groups disproportionately suffer the consequences of problems in the system, resulting in funding not always getting to those that most need it.

Improved grant-making requires greater focus on sustainable, stable funding for social sector organisations, unencumbered by overly laborious processes, to maximise the efficiency of the system and the impact delivered. Grant-makers can achieve this vision through incremental improvements, significant shifts in approach and transformative practices.

Incremental improvements can significantly reduce the time and cost of applying for funding, especially for small- and medium-sized charities. For example, publishing funding priorities and criteria, providing an eligibility checker and ensuring application forms make all questions visible upfront, avoid repetition and can be saved during the process. Even very small funders could help to improve the funding landscape by steps



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such as allowing their grants to charities to be used to support core costs, as well as specific projects.

Bolder steps can achieve even more, particularly for better resourced funders. For example, increasing funder collaborations, using joint application forms, striving to reduce numbers of ineligible and unsuccessful applications and ringfencing funding for charities serving and led by people from ethnic minority and other marginalised groups.

Many grant-makers have already started to fund in these ways, however these good practices are not spreading quickly across the sector at large.

So, what needs to happen to help spread good practice through the sector? Drawing on semi-structured interviews with a wide range of charitable grant-makers, in-depth consultation with sector experts ranging from regulators to infrastructure bodies<sup>1</sup> and existing literature on grant-seekers' views, this report identifies **four main barriers** holding back grant-makers from making the changes that grant-seekers would like to see and realising more of the potential impact of their unique form of funding:

- **Awareness and motivation.** Some grant-makers are unaware or unconvinced that their practices are causing avoidable problems for grant-seekers, seeing their approach as inevitable or as beneficial to their own operation.
- **Control over strategy.** Some grant-making staff feel that their trustees or donors do not have sufficient understanding of the needs of the organisations and communities they seek to help, and because of this place unhelpful restrictions on how staff can operate.
- **Capacity and capabilities.** Many grant-makers do not invest sufficiently in both staff and skills, making it difficult for them to assess the impact of their practices, design more efficient processes or collaborate with others.
- **Engagement with grant-seekers.** Some larger grant-makers feel that they intimidate smaller grant-seekers out of applying, while some smaller foundations find that they lack the profile to reach them. These issues can be particularly acute in relation to engaging with grant-seeking organisations run by and for ethnic minority communities.

Overcoming these barriers and spreading good practice to more grant-makers is not straightforward, especially because of the diversity of the funding community. Clearly, the practices that are appropriate and feasible for a multi-million-pound endowed foundation would be neither right nor possible for a small family trust giving a few small grants each year. However, the top 300 foundations in the UK account for about 90% of foundation giving and do tend to have significant budgets. It is reasonable for many of these to take up the improvements which some have already demonstrated to be

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<sup>1</sup> Such as AVECO (Association of Chief Executives of Voluntary Organisations), NCVO (National Council for Voluntary Organisations), WCVA (Wales Council for Voluntary Action), SCVO (*Scottish Council for Voluntary Organisations*), NICVA (*Northern Ireland Council for Voluntary Action*), and NAVCA (National Association for Voluntary and Community Action)

possible and successful. Even much smaller grant-makers might well be able to make minor changes to their practices, which would not require great investment but could make a big difference to the grant-seekers they aim to support. While they may be smaller in size, many family foundations play a vital role in supporting small- and mid-sized charities with seed capital. They therefore form an important part of the funding ecosystem.

Grant-makers need to be encouraged and enabled to invest in their own skills, capabilities and cultural competences in order to move towards better practice, whether they are best suited to making incremental improvements or more transformative changes.

Three measures could help to drive a step-change in spreading good practice further through this diverse community of funders:

**1. An active role for the Charity Commission.**

The Charity Commission should play a more active and vocal role in highlighting the problems caused by poor quality grant-making, what good grant-making looks like and the resources that exist to support improved practice.

For larger grant-makers, this would play an important persuasive role, using the Commission's soft power to set standards and encourage trustees, as well as staff, to adopt good practice.

Among smaller grant-makers, many are not members of other networks or in touch with fellow funders that can share ideas and learning. The Charity Commission may be the only organisation with reach into this part of the funder community. It can thus play a pivotal role in sharing information, ideas and signposting sources of support. The Commission can encourage trustees and staff to consider possible improvements and show support for them to invest a little more resource in their own operations, to achieve greater impact with the rest of their funding.

**2. Expand independent benchmarking.**

Grant-maker benchmarkers should explore opportunities for expanding the scope of their work and the Charity Commission should encourage greater participation in and use of such benchmarks across the sector.

Independent benchmarks have been used in many sectors to raise awareness of good practice, enable organisations to compare their performance with their peers and increase interest and motivation to improve. In recent years, some independent benchmarks have been introduced for the foundation sector and been well received by many. Expanding benchmarking to cover more of the aspects of good grant-making highlighted in this research and increasing the number of organisations participating (with an appropriate segmentation of large and small foundations) could speed up the adoption of better practice. This would be most likely to influence those parts of the grant-making community that have greater resources, are part of networks, place a high value on their reputation and want to demonstrate that they are achieving the best

outcomes with their resources. It would also require greater investment in benchmarking infrastructure to maximise its reach and impact.

### **3. Amplify the voice of grant-seeking charities.**

One of the most powerful levers for change among funders may well be increased awareness of the problems that sub-optimal practices cause for the charities and communities they seek to serve.

Individual charities are often reluctant to raise such issues with funders, fearful of reducing their chances of being awarded funding in the future. There is therefore a role for charity sector infrastructure bodies to speak out on behalf of the sector; making visible the negative consequences of some current grant-making practices (as organisations such as IVAR - the Institute for Voluntary Action Research - have been doing), working with the Charity Commission, the government and benchmarkers to define and highlight better approaches, and encouraging grant-makers to take these up. These organisations should work with the Association of Charitable Foundations (ACF), which has published reports highlighting the highly effective approaches of some funders and set out 40 principles, or 'pillars', of better practice, as part of its Stronger Foundations initiative.

Making the changes highlighted by this research is likely to require more grant-makers, particularly larger ones, to invest in their own skills, capacities, and cultural competencies, in order to enable better, fairer giving. And this shift needs to be underpinned by greater focus on the experiences of grant-seekers, with a view to maximising engagement with them.



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## Grant-making is a powerful part of civil society finance, with the potential to punch above its weight.

Charities received around £9.6 billion in grants in 2019-20 – one sixth (16%) of the sector's total income of £59 billion. This included around £3.8 billion in grants from government, £4 billion from the social sector, and £500 million from the National Lottery.<sup>2</sup> It also received additional grant funding of up to £1.3 billion from the private sector.

The true value of these grants goes much further than the numbers alone can tell us. Grant-making can bestow a wide range of benefits on the social sector, often not offered by other types of financing. Grant funding can enable experimentation and innovation, allowing charities to build their capacity, develop relationships and plan and invest for future growth. Grant income influences the amount of funds that can be raised by other means and facilitates effective use of these income streams. Grant-making can also be a more effective way of commissioning service provision than, for example, procurement via contracts. Funding services through grants especially benefits small organisations, which often struggle to compete for contracts and rely on grants to make up a larger proportion of their total income. In addition, local grants enable community-led, flexible growth, while attracting further investment in local economies.<sup>3</sup>

Conversely, a lack of good grants in the income mix can cause problems for charities. It creates higher costs and reduces capacity for delivering charitable activities. It increases the amount of time charities spend managing funder relationships. It limits the sources of income available for financing overheads, while creating a heightened sense of market vulnerability. And it forces charities to compromise their own planning and strategy to meet the desires of funders.<sup>4</sup>

Highly effective grant-making can also benefit funders, when compared to the other types of finance they could give, by lessening bureaucracy, strengthening relationships with grantees, and enabling them to work in new areas of activity.<sup>5</sup>

Yet despite the wide-reaching value of grants for all parties, some groups of funders are more enthusiastic grant-givers than others.

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<sup>2</sup> [NCVO UK Civil Society 2022 data tables](#). NCVO have confirmed that data on “voluntary type” income from government and voluntary sector is likely all grants (personal correspondence).

<sup>3</sup> Directory of Social Change, [Grants for Good Campaign](#), J Unwin, [The Grant-making Tango: Issues for Funders](#). The Baring Foundation, 2004, 49-51, H Monteiro, “[Why grant-making matters](#)”, [Philanthropy in Focus](#), March 2014. and House of Lords Select Committee on Charities, [Stronger charities for a stronger society](#), [Parliament.uk](#), March 2017, 41-42, 56

<sup>4</sup> J Unwin, [The Grant-making Tango](#), 2004, 50-51, and J Saxton & E Lindström, [Taking Nothing for granted: a research report into what charities think a model grant-maker looks like](#), nfpSynergy, 2012, 7-8

<sup>5</sup> J Unwin, [The Grant-making Tango](#), 2004, 51

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## The social sector is a particularly committed grant-maker, with a distinctive ability to get the most out of grants.

The social sector and government are by far the sector's largest sources of grant income, with the social sector having recently overtaken government as the biggest grant-giver. While the government is still a major source of grants, its focus is heavily skewed towards purchasing – with just 25% of government spending on the sector coming in the form of grants.<sup>6</sup> The remaining 75% of government spending takes the form of earned income for the sector – most notably contracts. This focus on purchasing at the expense of good grant-making advantages big charities and marginalises small ones. It also positions civil society organisations as primarily service providers, which can jeopardise their independence and encourage mission skew. It increases competition between organisations, preventing information sharing and collaboration, which could enable them to deliver more for their communities. And it makes it harder to support good governance, creating additional bureaucracy without necessarily leading to better outcomes. Most importantly, this approach to funding generally results in less flexibility for recipients, undermining the agility that is one of the sector's greatest strengths.<sup>7</sup>

By contrast, 76% of the funding flowing to charities from within the voluntary sector in 2019-20 was in the form of grants, made mostly by charitable trusts and foundations<sup>8</sup>. And this commitment to grant-making is deepening, with grant-making by trusts and foundations on the rise; giving by the UK's top 300 foundations in 2019-20 was up 7.8% on the previous year (excluding the Wellcome Trust).<sup>9</sup>

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<sup>6</sup> And even these can look more like contracts, designed with purchasing outcomes in mind, rather than capitalising on the benefits of good grant-making. See J Unwin, [The Grant-making Tango](#), 55-58

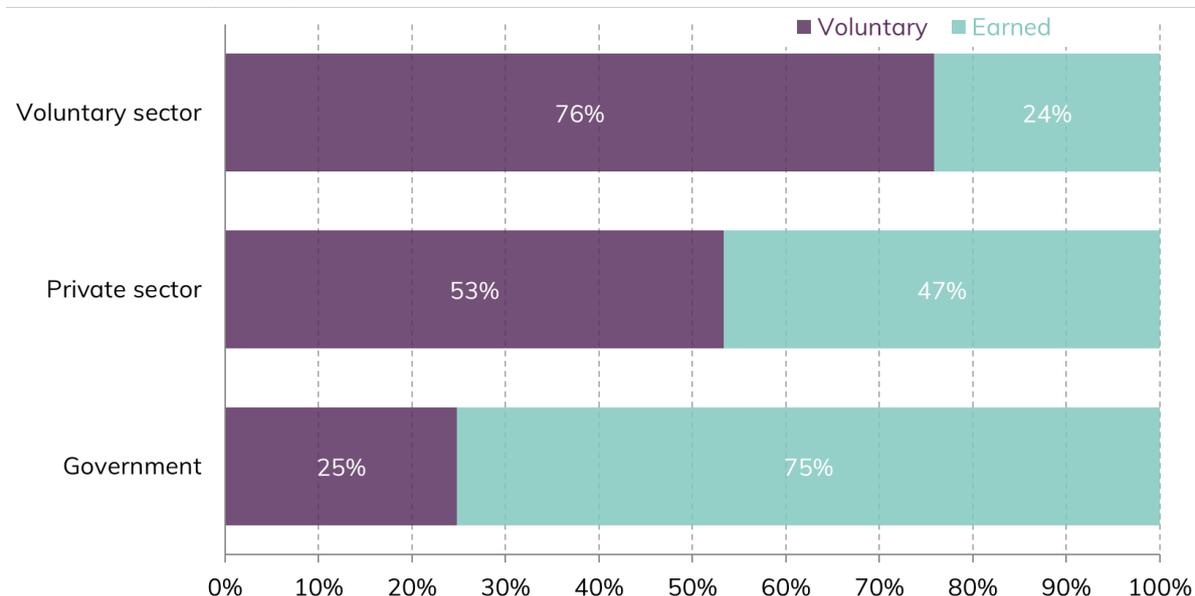
<sup>7</sup> National Audit Office, [Public Funding of Large Charities: A Review by the National Audit Office](#), August 2007, 4, and Select Committee on Charities, [Stronger charities](#), 41-45

<sup>8</sup> PBE analysis of data from NCVO UK Civil Society 2021 data tables

<sup>9</sup> C Walker & C Pharoah, [Foundation Giving Trends 2021](#), Association of Charitable Foundations, 2021, 6

**Figure 1: Charity income from the voluntary sector is considerably more likely to be received in the form of grants when compared to income from government and the private sector**

*Voluntary versus earned income as a proportion of charities' total income from selected income sources, 2019/20*



Source: PBE analysis of data from NCVO UK Civil Society 2022 data tables

Notes: In this context voluntary income consists of income received in the form of grants and in-kind payments, earned income consists of income earned from contracts, service provision, trading or corporate sponsorship, see [NCVO's definitions](#) for a full explanation

Grants from trusts and foundations can be worth more than their weight in gold. The characteristic independence of these organisations allows them to “take risks, back marginalised causes, work with diverse partners, meet immediate needs, evade the short-termism of political cycles and support long-term solutions.”<sup>10</sup> As Richard Jenkins, then Head of Policy at ACF, put it:

*“They are almost unique in their currency. [Charitable foundation grants] can do things that other forms of funding cannot.”*  
*– Richard Jenkins<sup>11</sup>*

As such, against a backdrop of long-term declines in government grant-making<sup>12</sup> and minimal giving by the private sector, foundations are set to be an increasingly vital source of especially valuable income for the sector in the coming years.

<sup>10</sup> Walker & Pharoah, *Foundation Giving Trends 2021*, 26. See also T Wallace, [Learning from international development grant making: a review of the Baring and John Ellerman Foundations' Programme](#), The Baring Foundation, August 2012, 10-11

<sup>11</sup> Select Committee on Charities, *Stronger charities*, 56 Year and link?

<sup>12</sup> R Keen & L Audickas, [Charities and the voluntary sector: statistics](#), Parliament.uk, August 2017, 10

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## Yet social sector grant-making is not achieving its full potential, due to problems with the way that some grant-makers give.

Despite the social sector's recognition of the value of grant-giving – and the many examples of thoughtful, impactful grant-making practice that do exist – more needs to be done to maximise the impact it achieves. Some grant-makers could greatly improve their practices, from fixing day-to-day issues with grant applications, to deeper, strategic transformation. Much research exploring the problems caused by some forms of current grant-making practices coalesces around the same set of issues.

### Short-termism

A major problem that grant-seekers identify is the short-term basis on which many grants tend to be offered, often for just a year at a time or less. This leads to uncertainty, leaving charities unable to plan for the future. It is also inefficient, forcing charities to expend valuable time and resources constantly reapplying for funding.<sup>13</sup> While some grant-makers offer longer grants of three years or more, this is rarer and sometimes still does not go far enough in tackling these problems. As one grant-seeker put it in response to the Commission's call for evidence about ways to unleash the potential of civil society:

*“As a charity, you're in an endless roundabout of tracking down funding, applying for it, evaluating it, reporting on it. It just goes on and on and on and on ... [During] the time that you should be working with the people, [which] you got involved with the charity to do, you end up getting stuck in this endless round of funding.”*

*– A small charity<sup>14</sup>*

Many grant-seekers lament the lack of grant-making designed to support long-term organisational growth and the tendency of many grants to come with stipulations restricting use to narrowly conceived projects. Such grants are expensive to implement and difficult to manage, and they overlook the importance of investing over the long term in the skills and capacities an organisation needs in order to deliver these projects well in the first place – often described as 'core costs'.<sup>15</sup> As another grantseeker put it:

*“I've been looking at funding this week for a number of things. And all of it says 'no, we don't fund salaries, we don't fund rent'. And yet, without that, the organisation can't deliver what it wants to deliver.”*

*- A small charity<sup>16</sup>*

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<sup>13</sup> Unwin J, *The Grant-making Tango*, 2004, 29-30, and Newcastle Council for Voluntary Service, *The Voluntary and Community Sector in Newcastle upon Tyne – Part 2*, 2005, 13-15

<sup>14</sup> Pro Bono Economics, *Summary of responses: unleashing the potential of civil society*, 2022

<sup>15</sup> Saxton & Lindström, *Taking Nothing for granted: a research report into what charities think a model grant-maker looks like*<https://ellerman.org.uk/uploads/Taking-nothing-for-granted-Report-June-2012-nfpSynergy-and-John-Ellerman-Foundation.pdf>, 2012, 42

<sup>16</sup> Pro Bono Economics, *Summary of responses*

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While these problems are widespread, it is heartening that there is a growing body of progressive grant-makers that have chosen to experiment with different approaches to funding, with a particular focus on meeting this need for longer-term, flexible investment.<sup>17</sup>

Tackling each of these aspects of short-termism would have mutually-reinforcing benefits. Expanding the lifespan of grants would give grant-seeking organisations the confidence and space to develop powerful, long-term strategies for their work. Meanwhile, reducing systemic inefficiencies and strengthening organisations would increase the capacity of grant-seekers and grant-makers alike to develop and deliver on these strategies for the benefit of the country. In this way alone, the value of grants could skyrocket.

### **Sub-optimal processes**

Alongside the short-term nature of many grants, the processes involved in accessing them create significant problems and inefficiencies for grant-seekers.

Of most pressing concern here are the complex, costly, and time-consuming application and monitoring processes that plague much grant-making. Recent research carried out by Giving Evidence for the Law Family Commission on Civil Society found that charities spend around £900 million a year applying for grants. These costs are driven by a lack of design (with application processes tending to evolve organically rather than purposefully), a lack of information (with neither grant-makers nor grant-seekers tracking these costs), and a lack of skills (with many funders not employing staff with service design or digital skills). These costs fall disproportionately on small- and medium-sized charities, both of which can end up spending about a third of raised funds on applying for grants.<sup>18</sup> When factoring in the costs to grant-makers as well, previous research has estimated that as many as 46% of grants cost more than they are worth.<sup>19</sup>

In addition to increasing the costs of fundraising, the processes underlying some approaches to grant-making strategy and planning can drive a range of other inefficiencies. Issues such as a lack of evidence-based grant-making, social ties taking precedence over need (meaning funding may be directed at those places or communities which a donor feels connected to, rather than where it is most needed), and donors exerting undue influence on grantees (who may be better positioned to decide how to use funds), risk overdetermining targets of investment, meaning that funding does not necessarily go where it is most needed, or get put to best use.<sup>20</sup>

Charities also report frustration that donors can seem to prefer to fund something that's 'new and bright and shiny and innovative' rather than funding work that has been proven to be effective.<sup>21</sup> This is experienced particularly acutely by social and community

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<sup>17</sup> See for instance IVAR's list of "[Flexible Funders](#)," a group of over 100 grant-makers that have signed up to funding charities in an open and trusting way, including offering flexible grants.

<sup>18</sup> See H Barnard, [Giving Pains: The cost of grant-making](#), Pro Bono Economics, 2022

<sup>19</sup> T Neill, "[46% of grants cost more than they're worth](#)", *Time to Spare*, n.d.

<sup>20</sup> G Bull & T Steinberg, *Modern Grant-making: A Guide for Funders Who Believe Better is Possible*, London: Modern Grant-making, 2021, 28-29

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sector groups run by and for ethnic minority communities, which report particular difficulties arising from funding tending to focus on innovation over evidenced need.<sup>22</sup>

Strengthening the grant-making process could help ensure that not only does more money go to good causes, but also that it goes to the good causes that need it most, as well as supporting work that is demonstratively effective.

### **Reproduction of wider social inequalities**

Many grant-seekers note that the problems with some grant-making processes tend to intersect with and reproduce wider social inequalities, meaning that some groups disproportionately suffer the consequences.

For instance, charities run by and for ethnic minority communities face especially acute struggles in accessing grants.<sup>23</sup> Recent findings from the Funders for Race Equality Alliance show that, of £122 million worth of funding from its membership, only 14% went to organisations with a mission or purpose of supporting ethnic minority communities, while just 6% of funded organisations were led by people from ethnic minority communities.<sup>24</sup> Meanwhile, during Covid, the specialist Resourcing Racial Justice fund was able to support only 3% of the 1,400 applications it received, and Voice4Change's emergency fund for Black and ethnic minority charities was nearly seven times oversubscribed.<sup>25</sup>

These figures reflect the acute and systemic ways that problems with the grant-making landscape impact marginalised groups. In addition to the tendency among some grant-makers to prioritise the new over the needed, these grant-seekers describe how the 'mainstreaming' of grants (and erasure of specific forms of disadvantage) can put them off from applying or limit what is available.<sup>26</sup> Of even deeper significance are the experiences of institutionalised racism faced by ethnic minority grant-seekers, that describe being made to feel undeserving of funding:

*"Funders have conditioned us to convince us that we are not good enough. Conditioned us to think we are not competitive or that it's the quality of our bids that just don't make it through. I am talking to CEOs who have been running organisations that have existed for decades. Suddenly, they are feeling like they don't have the confidence to submit a funding application. That is not right. That has been conditioned by the funder. We need*

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<sup>22</sup> Voice4Change England, [Bridging the gap in funding for the BAME voluntary and community sector](#), July 2015, 8

<sup>23</sup> Voice4Change England, [Bridging the gap in funding for the BAME voluntary and community sector](#), July 2015, 3, 6, The Runnymede Trust, [Shared Futures: Funders, Funding, and the BME Third Sector](#), December 2021, and The Ubele Initiative, [Booska Paper: Exposing Structural Racism in the Third Sector](#), April 2021

<sup>24</sup> D Pippard, "Funding and racial justice: data driving change", ACEVO, May 2021

<sup>25</sup> Baobab, [Digging Deeper: Insights on Tailored Funding to Organisations Led by Black People and Communities Experiencing Racial Injustice in 2020](#), 2021, 20, and R Hargrave, [Covid Fund for BAME charities was seven-times oversubscribed](#), Civil Society, Feb 2022

<sup>26</sup> Voice4Change England, [Bridging the gap in funding for the BAME voluntary and community sector](#), July 2015 8



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*to bust this myth that it's because we aren't good enough, because it's ridiculous."*<sup>27</sup>  
*-The Ubele Initiative*<sup>28</sup>

Improvements in the strategic approach and processes of grant-making will mean little if the benefits do not extend to those in most need of grants. A better vision for grant-making is one where grants flow intentionally to the places where they are most needed and will have the most impact.

## Some grant-makers have shown us what good looks like, but these practices have not yet spread sufficiently across the sector.

If the problems with current grant-making practices are well known, then so too are many solutions to these problems and better practices that have proved successful for those grant-makers who have tried them.

Research carried out by IVAR with 1,200 charities<sup>29</sup> found that 10 actions were widely agreed to be the priorities for improving current funding practices. Many of these involved making relatively small changes to processes, which charities said would make a real difference. IVAR summarised these as follows:

1. Offer charities the chance to ask questions before they make an application.
2. Have a two-stage application process.
3. Be clear about success rates at each stage of your process.
4. Don't ask for detailed information until a charity has a good chance of funding.
5. Give meaningful feedback to charities that have applications turned down.
6. Give multi-year funding.
7. Allow grantees to adapt and change project plans and budgets if needed.
8. Give unrestricted funding.
9. Only ask for information that you need and will use.
10. Allow grantees to use existing reports (e.g. to other funders, annual reports etc.)

Overall, this research highlights three overarching priorities for grant-makers to improve their practices.

**Address short-termism by offering multi-year, unrestricted grants** – what IVAR calls “the holy grail of funding.” It is likely that larger funders with more capacity to manage such flexible grants will find this more feasible. However, even smaller grant-makers could allow their grants to fund the core operating costs of charities, rather than restricting them to specific project-related costs.<sup>30</sup> This is one of the most urgent and widespread calls from grant-seekers. Research by nfpResearch (previously nfpSynergy)

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<sup>27</sup> The Ubele Initiative, *Booska Paper: Exposing Structural Racism in the Third Sector*, April 2021

<sup>28</sup> The Ubele Initiative, *Booska Paper: Exposing Structural Racism in the Third Sector*, April 2021

<sup>29</sup> IVAR, *Getting the basics right: 10 actions to improve charities' funding experience*, 2022, <sup>29</sup> IVAR, *Getting the basics right: 10 actions to improve charities' funding experience*, 2022,

<sup>30</sup> C Wilkins, *Rethinking grant-making*, NPC, 2020, Baobab, *Digging Deeper*, 3, and L Firth et al., *The holy grail of funding: Why and how foundations give unrestricted funding*, IVAR, 2021

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found that 93% would like more unrestricted grants and grants covering core costs.<sup>31</sup> Meanwhile, an earlier survey showed that the average charity would forego a restricted grant worth £1 million in favour of half that amount in unrestricted income. The same was true for a grant of £100,000. It is indicative of the opportunity cost within much current practice that grant-seekers value unrestricted funds twice as much as restricted funds.<sup>32</sup>

**Optimise processes by adopting simple and reasonable application and reporting requirements**, to increase efficiency and raise the proportion of funding that goes towards delivering outcomes for communities. Changes to achieve this include:

- Publishing up-to-date information on grants with clear eligibility criteria.
- Using two-stage, electronic applications, with application forms proportionate to the size of the grant.
- Ensuring application forms can be viewed in their entirety before a grant-seeker starts to complete them and can be saved and returned to before completion.
- Quick decision-making with good feedback on applications.<sup>33</sup>

In addition to improvements in their individual grant processes, more grant-makers could choose to fund collaboratively, using 'single front doors' or joint application forms.

The extent to which funders can streamline their processes will vary, of course, according to the resource they have available. It seems reasonable to expect larger funders to invest more in designing and improving their processes, and in searching out collaborations with their peers. Even smaller grant-makers would be well advised to ensure they at least have a basic website providing information for applicants, and that their application processes are as straightforward and efficient as possible. More broadly, a wide range of grant-makers can help ensure that their processes do not prevent grants from reaching the right places with maximum impact, by relinquishing and rebalancing power through centring the experiences of grantees and the communities they serve in their funding approach.<sup>34</sup>

Finally, to achieve the social sector's goals, it is vital that more grant-makers consider the ways in which their work can **reproduce social inequalities**, including the role that racism plays in grant-making. Routes to improvement in this area, already used by some pioneering grant-makers, include:

- Large, generalist grant-makers offering sustainable, targeted grants for organisations run by and for ethnic minority communities, with further attention to intersecting forms of exclusion, such as sexuality, disability, and geography.

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<sup>31</sup> Saxton & Lindström, [Taking Nothing for granted: a research report into what charities think a model grant-maker looks like](#), 2012, 8

<sup>32</sup> J Saxton & F Wallace, "[What do charities think about grant makers and grant applications?](#)" *nfpSynergy*, 2018

<sup>33</sup> Saxton & Lindström [Taking Nothing for granted: a research report into what charities think a model grant-maker looks like](#), 2012, 42-43, Wilkins, *Rethinking Grant-making*, and L Firth et al., [What is open and trusting reporting, and why does it matter?](#), IVAR, 2022 Saxton & Lindström [Taking Nothing for granted: a research report into what charities think a model grant-maker looks like](#), 2012, 42-43, Wilkins, *Rethinking Grant-making*, and L Firth et al., [What is open and trusting reporting, and why does it matter?](#), IVAR, 2022

<sup>34</sup> F Asif et al., [A rebalancing act: How funders can address power dynamics](#), NPC, 2020

- Building racial equality and justice into funding processes through impact measurement and benchmarking where possible and making efforts to develop cultural competencies and other mechanisms for mitigating bias.
- Building partnerships with organisations run by and for ethnic minority communities in designing and distributing funds; this could be on a large scale in the case of institutional grant-makers, or a smaller, community level for grant-makers working in a particular place.
- Investing in charities tackling issues relating to human rights and racial justice.<sup>35</sup>

There are already grant-makers leading the way in these areas and more. Last year, the John Ellerman Foundation commissioned research into the future of the grant funding sector based on interviews with 12 sector leaders from grant-making organisations, infrastructure bodies, and research organisations. Asked who had impressed them in recent months, participants cited a handful of organisations that had increased spending and flexibility during the pandemic; been proactive and responsive in the wake of Covid; demonstrated a commitment to fairness and justice, including combatting structural racism; developed collaborative approaches, working alongside activists, social justice movements, and other funders; and engaged in dialogue about their own identities as funders.<sup>36</sup>

Some of the grant-makers named as 'leading the charge' here were Garfield Weston Foundation, Paul Hamlyn Foundation, Esmée Fairbairn Foundation, Tudor Trust, Torus Foundation, London Funders, National Lottery Community Fund, Community Foundation Northern Ireland, Comic Relief, Friends Provident Foundation, Thirty Percy, and John Ellerman.

These views were reinforced by the high scores received by these organisations in the Friends Provident Foundation's 2022 *Foundation Practice Rating*, a newly developed system for rating foundations' practices with regards to accountability, transparency and diversity.<sup>37</sup>

This suggests that it has tended to be some of the larger, well-known, well-endowed grant-makers that are leading the way in terms of best practice. However, it is important to note that there are also smaller foundations undertaking higher innovative and impactful work, but which tend to be overlooked and are not well reflected in surveys and other research due to their size and limited reach.

Despite these examples of innovation and improvement, many grant-makers have not yet adopted some of the practices pioneered by these leaders and could significantly improve the finance landscape for charities by doing so. Smaller grant-makers may not have the resources to make all of the changes seen in some of the larger trailblazers, but there are incremental improvements that would be feasible for a very wide range of

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<sup>35</sup> Voice4Change England, *Bridging the gap in funding*, 10, Baobab, *Digging Deeper*, 3-5, Equally Ours, [A Quantitative Analysis of the Emergency Funding to the UK Black and Minority Ethnic Voluntary Sector During Covid-19](#), 2021, 24-28, and Ubele, *Booska Paper*, 16-24

<sup>36</sup> T Harrison-Byrne, S Eberhardt, & R Burrells, [The future of the grant funding sector: from interviews with sector leaders](#), nfpSynergy, 2021, 8-9

<sup>37</sup> See [foundationpracticering.org.uk](https://foundationpracticering.org.uk). Paul Hamlyn, Esmée Fairbairn, Comic Relief, Friends Provident, and John Ellerman all received a B grade. For context, only three organisations out of the 100 rated received an A.

funders. More broadly, increasing the number and breadth of funder collaborations would enable the expertise, skills and capacity that exists in some well-resourced grant-makers to be shared more easily with others. This could help to spread good practice far more widely across different kinds of funders.

Thus far, however, these practices are not spreading across the sector at sufficient speed or scale.

## Some grant-makers face significant barriers to giving better.

Given the wealth of evidence about both the problems with current grant-making practice and the solutions to these problems, what is preventing better practices from being adopted across the grant-making sector broadly? Grant-makers highlight a number of barriers that they face in making such changes. Perspectives varied both across and within groups of grant-makers of different types and sizes, but four main barriers emerged as holding back more widespread change across the sector.

### Awareness and appetite for change

Perhaps the biggest obstacle to scaling change across the grant-making sector is the fact that some grant-makers are unaware of the problems that their grant-making practices create, or believe that these are inevitable or even beneficial for their own organisation's operation. This was particularly notable among the grant-makers from private charitable foundations, but a wider range of funders did not appear to be aware that there were such problems, or that it was possible for them to improve their processes. Asked if there were things about how they operate that they'd like to do differently, one participant responded:

*"No... I'm happy with the way we operate... I think we do things really, really well."  
- A mid-sized foundation*

Others did recognise the issues that charities experience when applying for grants but saw other grant-makers or grant-seekers themselves as being to blame for them. A common suggestion was that the difficulties some charities face in winning grants is as much to do with the quality of the applications they submit as it is problems with grant-makers' own processes. Attempting to strike a compromise, one such-minded participant offered:

*"I don't think it's fair to say that these are not real problems. I think there are some problems with some funders, how's that?"  
- A small foundation*

Another view was that some of the features of the grant-making process that cause problems for grant-seekers are necessary to the funding system. A recurring theme here was due diligence, with grant-seekers of various types and sizes describing restrictions and bureaucracy as a necessary counterbalance to concerns about grant-seekers' capacity to manage grants and deliver outcomes. Interestingly, there were participants

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who reflected more critically on this way of thinking and suggested that there were other drivers of overly laborious processes that might exist closer to home:

*"I think sometimes the process that we had was sort of like a bit of a fake security blanket, really, and when you stripped it back, you think, 'Well, why do we need to do that? What is it that's driving that?' And sometimes it's about us feeling a lack of confidence about making a decision. It might be the staff don't feel like the organisation's got their back, so they put in extra measures to demonstrate that they've done X, Y, and Z. And that just causes more hoops for organisations to jump through".*

*- A large funder*

There is clearly a genuine balance to be struck for grant-makers between necessary measures to ensure their funding is distributed according to their charitable aims and streamlining processes to reduce the costs associated with them. However, previous research has highlighted the lack of design that characterises many grant-makers' processes, the disproportionate requirements associated with some small grants and the disconnect between many application processes and achieving better outcomes<sup>38</sup>.

Similarly, it is likely true that some charities which struggle to access funding may be submitting poor quality applications, and that many are not able to present robust evidence of their impact. However, this situation is created in part by the nature of the funding system. The lack of long-term, flexible funding ties charities to short-term projects and immediately deliverable service targets. It prevents many from being able to invest in their skills, develop more efficient processes and collect and use data effectively to understand their impact. If small- and medium-sized charities have to spend around a third of their grant funding in seeking the next tranche of funding so that they can stay open, and struggle to find funding to pay core costs such as staff and rent, it is unsurprising that some find it difficult to engage with funders and provide the kind of information that grant-makers would like to see.

Where grant-makers were aware of difficulties caused by their approach, there were a range of other barriers that sometimes held them back from making changes.

### **Control over strategy**

Grant-making staff across a range of funders highlighted their feelings of a lack of control over their organisations' strategic planning and cited this as a major obstacle to reforming their practices in ways that they knew would benefit charities and the communities they served. Staff sometimes felt that boards of trustees were less closely engaged with the charities and communities they served but exercised close control over funding.

Participants even referred to some trustees as "control freaks" who view an organisation's money as "belonging to the organisation", rather than existing for the benefit of the communities or purposes of their charitable objectives. For instance, in response to a proposed plan to survey recent grant-seekers on their application experiences, trustees at one organisation were reported as responding:

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<sup>38</sup> H Barnard, [Giving Pains: The cost of grant-making](#), Pro Bono Economics, 2022



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*“Why are we doing this? We have the money. Why are we asking them their opinion?”  
- A small foundation*

Participants further described some trustees as being wedded to traditions and prone to continuity bias, meaning they often vetoed ideas for strategic change. Indeed, the participant who described their organisation’s use of process as a “fake security blanket” linked this to having “too many eyes” on strategy.

Grant-making staff also believed that some trustees lacked knowledge and expertise in the areas they fund and the radicalism necessary for cultural change. The difficulties caused by this are likely to be exacerbated by the lack of diversity among trustees and the need to improve training and support for the trustees of grant-making organisations specifically, as well as across the social sector more broadly.

The restrictive impact of the close control some trustees exercised over funding created particular problems - with slow payouts of grants - because most were volunteers and could only commit limited hours to this role.

The problems sometimes created by these issues around strategic control could be compounded by the accountability grant-makers feel to donors. This feeling was particularly acute among grant-makers in receipt of public funds, that described how they felt this could limit their ability to offer unrestricted grants or fund core costs:

*“We feel highly accountable to the public who donate money to us...and I think there's a general feeling that the public would understand 'we're funding that project there,' rather than 'we're funding that building there'... And so I think there was a weariness about how it might be perceived.”  
- A large funder*

However, this feeling also extended to grant-makers that receive funding from companies, or wealthy individuals or families, rather than public donations. These grant-makers also described a sense of obligation to its donor’s wishes. This impact can be direct, for instance limiting the causes grant-makers can fund, but it can also have a deeper impact on strategy and process. For instance, one grant-maker described how its donors’ desire for anonymity limited its ability to scale up staffing to meet need. Asked about their sense of the inevitability of eligibility restrictions, this participant responded:

*“I mean, partly, it's logistical, you know, there's me who runs this thing, and that's it. There's nobody else except for my trustees. And now we're getting [hundreds of] applications a year. And the persons unknown who have endowed the charity obviously don't want their identities to be known. And if we hired more people for the foundation, then we run the risk of that confidentiality being broken somehow.”  
- A mid-sized foundation*

### **Capacity and capabilities**

The third issue raised by many participants was capacity within grant-makers. Some described a lack of staff as slowing down decision-making and hampering their ability to adopt approaches they knew would be beneficial, such as offering multi-year grants. Others described a lack of expertise as their main point of capacity crunch. This included

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expertise in the areas they fund, with one participant describing themselves as having to be:

*“...a jack of all trades...because I’m dealing with so many different sectors within the third sector all the time. So, I’m not really an expert in any of them. And sometimes that troubles me because I sometimes think, well, maybe I’m not being as helpful to people as I could be if I was a total expert. But on the other hand, you know, I’m just a human being.”*

*- A mid-sized foundation*

However, this also included a lack of expertise in grant-making practice, with funding managers often not being from the social sector, but rather having backgrounds in fields like accounting. One organisation described this lack of expertise as a key barrier to offering unrestricted funding; their organisation simply did not have the frameworks in place for assessing open grant applications.

Lack of technological adoption and communications capacity were flagged as further issues, keeping organisations stuck in old and cumbersome processes and limiting engagement with and exposure to grant-seekers.

Perhaps what was most striking here was the broad sense of a need for more investment in these different types of capacity within grant-makers. The social sector is increasingly conscious of the pressure that service-delivering charities face to maximise the amount of their resources that gets sent to the ‘frontline’, and the difficulty this poses for their ability to invest in the skills and capacity required to deliver these services well in the first place. As another respondent to the Commission’s call for evidence put it:

*“The ongoing narrative, supported by high-profile media outlets, that charity leaders are overpaid, and that administrative/HR support is an unnecessary cost discourages charities from investing in core business functions to improve productivity. The expectation that charities can be run entirely voluntarily is inconsistent with the responsibilities they hold for delivering high-quality services that provide community wellbeing and safety.”*

*- ACEVO<sup>39</sup>*

This issue resonated strongly with grant-makers. They described a similar pressure to distribute as much resource externally as possible. Although many recognised the need for more investment in themselves in order to be able to give better, they faced great resistance to moving in this direction:

*“My fear is that we are hollowing out our sector, because we’re putting everything on the frontline, and... the heart of the thing can be sucked out if people don’t have time to think and time to breathe and time to be creative. And I think that goes for funders as well.”*

*- A BAME foundation*

Some features of grant-making (such as restricted, short-term project grants with complex application and reporting procedures) are expensive for both grant-makers and grant-seekers. This means that the drive among grant-makers to maximise payout in

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<sup>39</sup> Pro Bono Economics, *Summary of responses*

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the short-term, at the expense of their own organisational capacity, counterintuitively risks limiting the value of their grants. In contrast, by investing a little more in their own capacity to deliver good grants - through better resourced and skilled staff and more efficient and effective systems - there is tremendous potential for grant-makers to increase the value of their grants in the long term. In the words of one participant:

*“Funders aren’t often honest about what it takes to do the funding element of [their work].”*  
- A large funder

### **Engagement with grant-seekers**

The lack of capacity within many grant-makers not only limited them to inefficient processes and overly prescriptive funding, it also limited many organisations’ engagement with grant-seekers.

The challenges in this respect varied across different types of grant-makers. Some larger ones felt that small grant-seekers were intimidated by their size and thus unlikely to apply to them for grants.

*“I think there’s also an element of ‘oh, they’re a big funder, they wouldn’t fund the likes of us’ type thing. You know, we’ve picked up that from some of the feedback we’ve had, and just some of the comments we’ve heard from other funders as well... So just even before they’ve read any of our literature or anything, they’ve thought, ‘Actually, they’re not the right funder for us, they wouldn’t notice us.’”*  
- A large funder

Conversely, smaller foundations worried that some grant-seekers, particularly small organisations and those in and of marginalised communities, did not know they were out there, or did not feel comfortable applying to them. They put these issues down to a lack of networks for connecting them, and a lack of profile on their own parts:

*“What [our foundation] is trying to do is raise its profile amongst charities, particularly in [our geographical area of operation], that aren’t aware of us... Particularly within, say, marginalised communities... We think the big charities have got well equipped fundraising teams – experienced and specialist fundraisers. But we are aware that, [in] a lot of the smaller charities, you’ve often got the chief executive also doing fundraising. And that is really, really tough for them. So, we’re just trying to raise our profile [and] make it easier for them to find us.”*  
- A mid-sized foundation

The lack of capacity within many grant-makers, large and small, made it extremely challenging for them to overcome these issues and become more engaged with grant-seekers. This limited their understanding of the context within which these organisations work and how their processes could evolve to support them more effectively.

In addition to these broader issues around a lack of networks and profile, there also appear to be an additional set of issues holding back effective engagement with grant-seekers from organisations run by and for ethnic minority communities.

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Grant-seeking organisations run by and for ethnic minority communities disproportionately struggle to access grants and some report that they are held to higher standards than their white counterparts and are made to feel that their applications are worse due to structural racism within the sector. As one grant-maker put it:

*“We live in a racist society, so that massively plays into decisions that are made for those organisations...Particularly, black- and brown-led organisations are more likely to [face] harsher due diligence, because fraud is found in those organisations, but that's often because people look for it more.”*  
- A large funder

Other staff in grant-makers were also aware of specific barriers affecting ethnic minority-led organisations. At least one participant commented on their organisation's need to invest more in diversity, equity, and inclusion work. Another discussed the issue of a resulting lack of cultural competency leading to ethnic minority-led organisations being held to higher standards when applying for grants:

*“[With] funders in the main – white middle-class funders – if you [a grantseeker] talk in a language that speaks to them, which is predominantly white, middle-class, you're more likely to get funding. So, when a[n ethnic minority] organisation comes up, and the first part of the work is to [have to] explain the bare minimum of...an idea or concept or a religious observance or whatever, you've used up all your [allotted] words before you've even talked about what you're doing with the project, because you have to almost train somebody in understanding.”*  
- A large funder

It was clear that constraints on capacity and expertise within some grant-makers made it far harder for them to overcome these limitations or design processes which would create fairer outcomes:

*“For us, there's some really...annoying and non-movable things. We give out [lots] of grants. The back end for doing that is incredibly [complex]... If you start fiddling with it, the system breaks and then nobody gets paid. So, things like changing the amount of words that you've got on the form breaks [it]. And then if you do that, but say only these groups get a different form, all hell breaks loose... It's those kinds of annoying problems. It's a bit of a kind of one set size fits [all] – the norm and not anything that falls outside.”*  
- A large funder

## Realising the full value of grant income requires concrete action to drive and enable grant-makers to do better.

It is clear that there are grant-makers who fully recognise the issues highlighted by this research and have taken action to address them. The work of these trailblazers has demonstrated the feasibility and benefits of improving grant-making approaches - for grant-seekers, the communities they serve and for grant-makers themselves. However, these improvements do not yet appear to be spreading quickly across the wider grant-making sector.

There was widespread agreement among those involved in this study that there are currently few mechanisms within the system to incentivise, encourage or compel more grant-makers to adopt better practices. Alongside this, the study found that a lack of capacity, skills and expertise within many grant-makers is a significant barrier to improving the funding system. It is striking that many of the funders identified as leaders are large and wealthy, with far more staff and internal resources than smaller grant-makers (although some small foundations have also demonstrated the improvements that can be achieved even without such great resources.)

In addition to the issue of capacity, the study also highlights the crucial role of trustees in either enabling or preventing changes that grant-making staff believe would improve their giving and benefit the charities and communities they exist to serve.

There is no single, 'one-size-fits-all' approach to grant-making. Practices which are possible and appropriate for large, endowed grant-makers with large staff teams are unlikely to be feasible for very small grant-makers providing a few grants a year and with few or no staff. However, there are principles which have emerged. For instance, the "pillars" described in ACF's Stronger Foundations work, which align with the clear messages coming from grant-seekers about the changes which would most benefit them.

There are a range of fairly minor improvements which could be adopted by many grant-makers, making a big difference to grant-seekers without requiring great investment by funders. Most substantial changes are also likely to be feasible for many foundations, especially larger ones, and could be transformative for the social sector as a whole.

Three conditions emerge as being necessary to spread improvement more widely across the grant-making community:

- **Greater awareness of the problems caused by sub-optimal approaches to grant-making and the practical changes grant-makers can adopt to address these issues.**

The research suggests that this awareness is patchy even among some larger and better networked funders. There are also many smaller grant-makers who are often cut off from the knowledge production that takes place at the sector's core.

- **Clarity about 'what good looks like' and support for funders to develop their own capacity and skills to achieve better grant-making.**

This needs to be done with full awareness of the variety of funders within the finance system, the value of this diversity and the range of different approaches that will inevitably arise from it. However, the research suggests that there is a core set of features which many grant-makers could work towards, and which would greatly enhance the impact of their funding and address the concerns of many grant-seekers. This should include a clear recognition that improvements are likely to require some funders to increase their own capacity and skills, and that this should be seen as a legitimate use of their resources, to unlock greater value from the remainder of their funding.

- **Increased motivation and incentives for grant-makers to make improvements.**

A recurrent theme within the research is the absence of mechanisms within the system to persuade or incentivise grant-makers to adopt improvements. They tend to be independent, seen as accountable only to their trustees and donors, unless they transgress the law or regulations. Some funders have taken the initiative to increase their engagement with the organisations and communities they serve, gaining greater understanding of what is needed and of the impact of their own strategic choices and process, and using this to make changes. However, many more have not done this, and appear to have little interest in doing so. This research has therefore explored the potential levers that could be used to persuade more funders to start on this path, drawing on the views and ideas of sector experts, grant-seekers and grant-makers.

## The Commission recommends:

### 1. An active role for the Charity Commission.

There was strong support for the Charity Commission playing a more active and vocal role in highlighting the problems caused by poor grant-making and promoting materials setting out what good grant-making looks like, as well as resources that support improved practice.

The [Charity Commission](#) is currently most associated with exercising its 'hard power' to ensure charities meet their legal requirements and taking enforcement action when there is malpractice or misconduct. However, like many other regulators, there is a growing recognition of the importance of its 'soft power' and the scope to expand the ways it fulfils its role of providing guidance and advice to help charities run as effectively as possible.

Currently, much of the Charity Commission's [guidance](#) focuses on the procedural elements of setting up and running a charity; it does not provide specific advice about good grant-making. Providing such advice, using the materials developed within the sector, would help ensure that more grant-makers understand what they can do to maximise the value and impact of their grants.

Funder practices are central to the effectiveness of the whole social sector. Short-term, restrictive and inefficient funding systems continually arise as factors holding back charities from achieving their goals, serving their communities and increasing their impact. Grant-makers form a minority of the organisations under the auspices of the Charity Commission; but influencing this group to improve their practices would help to improve effectiveness, sustainability and impact across the whole sector.

The Charity Commission is also uniquely placed to influence the views of trustees, who hold so much power in this sector, and to raise awareness among the large number of small grant-makers who are not involved in networks with others and are cut off from many of the sources of information drawn on by larger funders.

The Commission should therefore:

- Publish advice on good grant-making, developed in coordination with both grant-makers and grant-seekers, recognising the diversity inherent in the sector and highlighting both incremental improvements and more strategic changes.
- Capitalise on its ability to communicate this advice directly to trustees and use its broad reach to raise awareness among the large numbers of small grant-making organisations that are further from the sector's core and not necessarily involved in membership bodies or other networks.

The advice should cover the three areas of good practice highlighted by this research:

- Creating a culture of longer-term funding for charities;
- Simplifying and reducing the burden of grant-making processes;
- Improving the quality of engagement with marginalised grant-seekers.

It should set out minimum standards that all grant-makers should aim to achieve, such as publishing eligibility criteria and allowing grants to charities to be used for core costs. In addition, it should include more aspirational measures that can take grant-making to the next level among those organisations with more capacity, such as offering unrestricted, multi-year grants to charities, increasing funder collaborations and ringfencing funds for charities led by and for ethnic minority communities.

The advice should further highlight the importance of organisational health and capacity in enabling grant-makers to deliver on these areas of good practice in the first place. In particular, it should encourage grant-makers to invest in their own skills, capacities, and cultural competencies to enable better, fairer giving.

Finally, the Commission should work with sector bodies such as the ACF to increase awareness of training and support opportunities for grant-makers, to facilitate the uptake of good funding practices and broader organisational improvements.

## **2. Expand independent benchmarking.**

The research found that one of the most fundamental barriers to better grant-making practice is a lack of awareness of the issues or appetite for change among many grant-makers.

Benchmarking is a tool that has been used across many sectors to raise awareness of good practice, highlight where there is room for improvement and motivate people to make and sustain changes. Independent benchmarking enables organisations to compare their performance with their peers and can increase interest in ways to improve and even stimulate competition. It is particularly likely to encourage action among those who are part of professional networks and value their reputation within their sector. Regular benchmarking also helps to maintain momentum for change, especially important where there is a need for many different actors to experiment, adopt good ideas and sustain improvements in practice over a long period of time. Benchmarking for the grant-making community is particularly important given the distinctive nature of

grant-makers as organisations which often have little external accountability except to their own trustees.

Existing benchmarks include nfpResearch's "[Grant Maker Benchmark](#)" and Friends Provident Foundation's "[Foundation Practice Rating](#)". The former is run as a service to individual grant-makers, which commissions nfpResearch to develop a survey and send it to its applicants. This data is then put into a dashboard, which users can use to compare themselves to nine other funders. The latter uses publicly-available information from websites and annual reports to assess a stratified sample of 100 foundations drawn from the ACF top 300 grant-making charities against three key dimensions: accountability, transparency, and diversity. The results are used to rate the foundations sampled and annually publish the results.

These tools have been well-received among grant-makers and the sector more broadly but could be expanded both in scope and take up and will need greater investment to achieve this. Such expansion could help drive better practice among grant-makers, while ensuring that they target those areas of their practice that will result in the biggest improvements.

The first element of expansion relates to the topics covered by benchmarks. It would be very valuable for benchmarkers to expand existing benchmarks, or develop new ones, to include the issues highlighted by this research as causing the most problems for grant-seekers and track take up of improved practices. This could include, for example, measures of a commitment to long-term investment in grant-seeking organisations, simplicity in grant-making application processes, and positive engagement with grant-seekers, including those from marginalised groups. It would also be beneficial to include some broader indicators of organisational health and enablers of best practice, such as investment in relevant skills, capacities, and cultural competencies, and the balance of power and control between staff and trustees. This could build on the ACF Strong Foundations initiative, which includes a self-assessment benchmarking tool and advice covering many of these issues.

Expanding the sample of funders included in benchmarks would also, of course, increase their influence and reach. Interestingly, since its initial launch, the Foundation Practice Rating has introduced an option to 'opt in' to its 2022 sample, which may start to increase its coverage.

Here too the Charity Commission can use its position and reach to encourage wider take up by flagging benchmarks and advice in its interactions with grant-making organisations and trustees.

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### 3. Infrastructure bodies making the case for change.

Efforts to create greater momentum for the spread of better grant-making are hampered by the power dynamics inherent in the sector. Organisations dependent on grant funding often do not feel able to challenge funders or even discuss issues raised by their approach with them, out of fear for their future funding. Regulators are cautious about overly heavy-handed action that might risk compromising the independence of the sector, which is one of its most important qualities.

To overcome these difficulties, infrastructure bodies representing organisations in receipt of grants should use their trusted position to make visible the problems caused by the practices of some grant-makers and highlight the gains from improving the system. Their advocacy is likely to be most effective by focusing on a small number of the most pressing issues. In particular, this research highlights the impacts of short-termism (both in terms of length of grants and prioritisation of project funding over long-term investment); sub-optimal application processes and funding strategies; and the reproduction of wider social inequalities.

The different infrastructure bodies are well-positioned to take complementary approaches to this. Organisations such as the Association of Chief Executives of Voluntary Organisations (ACEVO) can target heads of grant-seeking organisations, while the National Association for Voluntary and Community Action (NAVCA) can focus on problems faced by small grant-seekers at local level. Infrastructure bodies that distribute grants, such as the Scottish Council for Voluntary Organisations (SCVO) and the Wales Council for Voluntary Action (WCVA), can share their learning with other grant-makers, as well as conveying the experiences of the wide range of grant-seeking charities they support.

The ACF also has an important role to play in spreading good practice more widely. It has published reports and guidance highlighting good practice and emphasising the importance of understanding the effects of funding on those the funder seeks to support and designing processes which fit with the organisation's mission and values<sup>40</sup>. It would be most effective for charity infrastructure bodies and the Charity Commission to work with the ACF, drawing together the expertise and reach of each organisation to jointly spread good practices at scale.

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<sup>40</sup> For example: 'Funding practices: The pillars of stronger foundation practice' available here: [Funding Practice in our Stronger Foundations report](#)

## Conclusion

Grant-making occupies a special place in the finance landscape for the social sector. Grants are the lifeblood of the sector, enabling charities and community groups to innovate, plan, develop and collaborate, often unlocking other income streams. However, not all grant-making currently achieves its full potential. There are long discussed weaknesses in the approaches and processes of some grant-makers. Happily, there is also a well-developed set of solutions to these problems, and pioneering grant-makers who have experimented and demonstrated the feasibility and benefits of both incremental improvements and more transformative change.

This study has focused on understanding why such improvements do not seem to be spreading across the wider grant-making community, the barriers that hold back some grant-makers from adopting them and how more widespread changes can be achieved.

Along with greater awareness and appetite for change, the research highlighted the need for more grant-makers to be emboldened to invest in their own capacity for good grant-making. The understandable desire of many grant-makers to maximise their payout rates and minimise staff and other costs needs to be tempered by greater understanding of the problems caused by short-term, restrictive funding accompanied by overly laborious processes.

Grant-seekers value longer term, flexible funding extremely highly. The dominance of short-term, restrictive funding can detract from charities' impact and effectiveness. The constant 'hamster wheel' of complex and often poorly designed grant applications is a drain on the sector's resources, and lands especially heavily on smaller grant-seekers and those led by ethnic minority people and those from marginalised communities. Moving towards more efficient and effective approaches would be greatly facilitated by grant-makers increasing their engagement with grant-seekers and the communities they serve, prioritising the needs of those communities and encouraging trustees to relinquish some control and rebalance power towards staff and the organisations they support.

The research uncovered a distinct lack of mechanisms for driving widespread change across the sector. The independence of social sector grant-makers is one of the sector's strengths, but it can also bring difficulties where independence slips into unaccountability, holding back the pace of change.

In consultation with sector experts, the study has identified three steps which can contribute to spreading good practice more widely, while maintaining the independence and respecting the diversity of grant-makers.

First, the Charity Commission can use its unique reach and authority to raise awareness of good practice and the problems caused by poor practice among powerful trustees.

Second, expanded and scaled benchmarking can raise awareness, stimulate improvement and increase accountability among grant-makers, especially those with greater resources and who are engaged in networks with their peers.

Third, the voices of grant-seekers can be amplified by charity infrastructure bodies, helping to shape and inform Charity Commission advice, benchmarks and directly

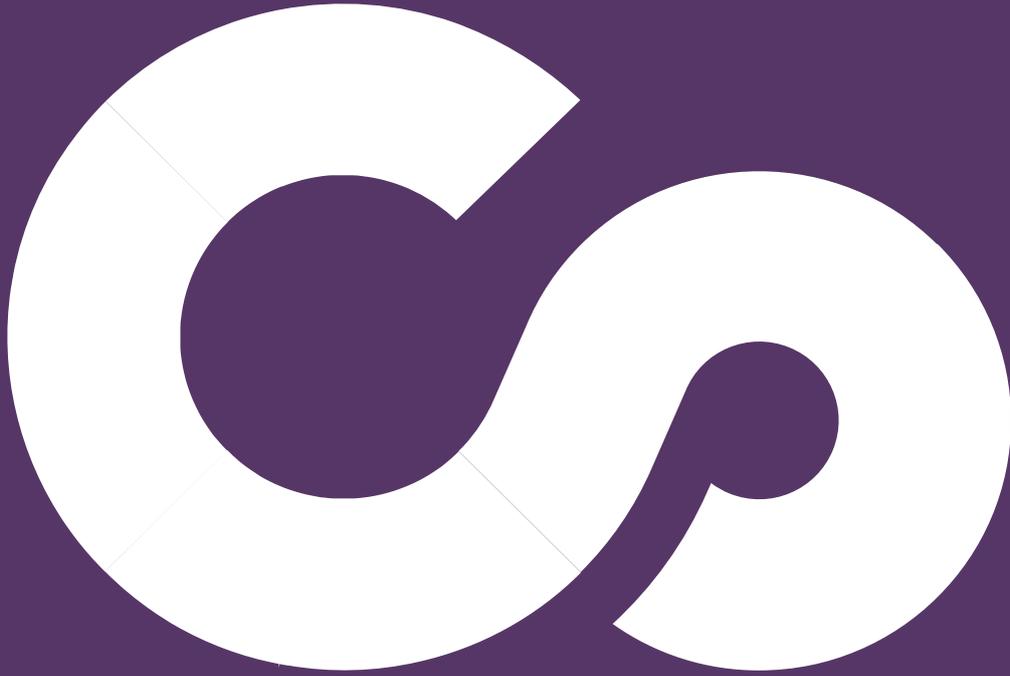
influencing grant-makers by making visible the damage caused by less effective practices, and the gains to be seized by those who choose to embrace improvements.

## Acknowledgements

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