INTRODUCTION TO GRANT-MAKING

DEVELOPING DECISION MAKING PROCESSES AND TOOLS

ASSOCIATION OF CHARITABLE FOUNDATIONS

LIZ FIRTH

CONTENTS

INTRODUCTION

Introduction to grant-making is a series of four publications from the Association of Charitable Foundations (ACF) designed to introduce you to the grant-making cycle.

Foundations are set up for many different reasons and to support a wide range of causes. Some are run entirely by volunteer trustees, others have one or two members of staff and some have large teams to help trustees make decisions about how to use their funding. Some work in a small local area, while others support organisations all over the UK and internationally. Clearly these differences mean foundations do things in different ways. But, in the end, our aims in grant-making are very similar – to reach and support good organisations that are making a difference to the things we care about and to do this in a way that makes the best possible use of our resources and those of the organisations who approach us for help.

Based on the experience of ACF's diverse membership, we hope that these guidelines and ideas will be particularly helpful to brand new foundations, people new to grant making, and smaller foundations with few or no paid staff.

We also hope they will be of interest to any independent grant-maker thinking about the nuts and bolts of its funding practice and how this might be developed and improved.

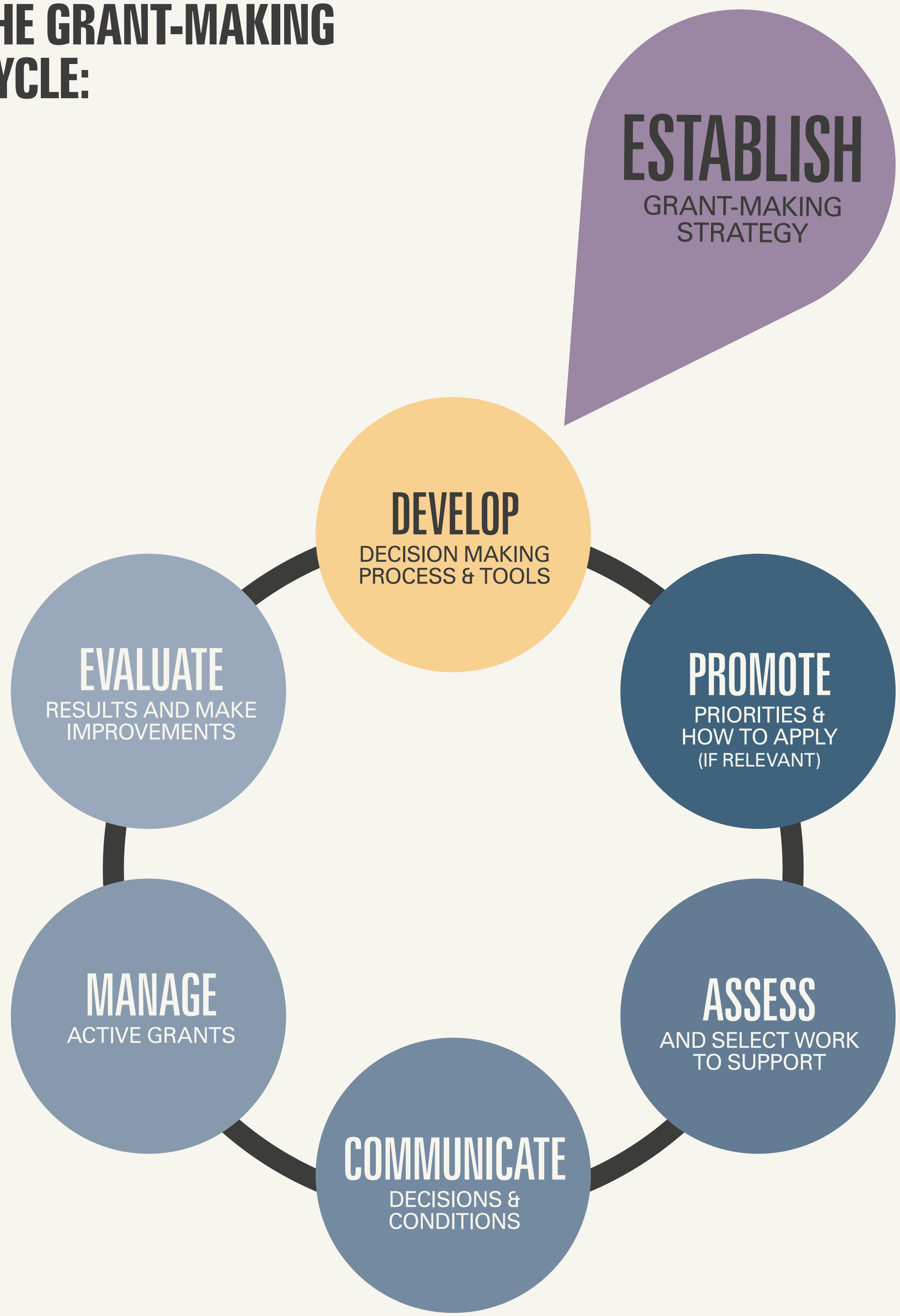
Our focus is on grant-makers who support the work of other UK-based organisations, rather than foundations focusing on individuals or who have their own operational programmes. But we hope that, whatever your own priorities or background, you will find something here that is of interest and relevance to your work.

This publication, *Developing decision making processes and tools*, covers one stage of the grant-making cycle, as outlined in the diagram opposite. Here we look at the different approaches to managing our application and decision making processes.

TERMINOLOGY

The terms trust and foundation are used interchangeably in this publication to describe charities with private, independent and sustainable income that fulfil their charitable goals mainly by funding and supporting other organisations and individuals.

THE GRANT-MAKING CYCLE:



WHAT ARE WE TRYING TO ACHIEVE?

Once we have agreed our grant-making strategy and decided the kinds of work and organisations we want to fund, we need to consider the most effective and efficient way to deliver our aims.

Overall we are looking for systems and structures that help us to reach good quality, appropriate applicants and collect enough information from them to make informed judgements about the value of the proposed work and their capacity to deliver it. This will enable us to make sound decisions about the use of our funds and to do it in a timely, cost-effective, fair and accountable way.

There are a number of underlying questions we need to answer before opening our programmes. Critical among these are:

- **How will we structure our decision making?** – Who can decide to approve or reject an application at each stage of our process?
- **How will we solicit applications?** – Do we want to be open to everyone, work by invitation only or somewhere in between? Do we want to run all our programmes in the same way or to adopt different approaches for different programmes?
- **When will we consider applications?** – Do we want our decision making process to allow us to deal with applications as they arrive or will we work to published closing dates?
- **What help will we give to potential applicants in approaching us?** – Must they rely on our written guidelines or will we provide them with advice and feedback during the application process?
- **What information do we need from applicants?** – And at what stage of our decision making process?
- **How does the information we need compare to that required by other funders?** – Are we asking for different things to other funders? Could this be creating an unnecessary burden for applicants? Have we collaborated with or consulted other funders when drawing up our requirements?
- **How are we going to store and manage applications and record our decision making?** – Have we checked our approach will comply with current data protection regulations?
- **How will we communicate our decisions?** – Will we offer feedback to unsuccessful applicants?

We have limited time and resources, so we must make sure our systems allow us to focus on the issues that are most important to us. Applicants also have limited time and resources so we have a responsibility to minimise as far as possible the burden of approaching us for funds. We need to be sure that every part of our process is necessary and adds value – and that it is proportionate to the scale of the grants given.

SOME BASIC PRINCIPLES

In developing our grant processes and tools, we need to consider which approach best:

01

Supports our strategy and programme priorities

02

Enables decisions to be made effectively at the right level of the foundation, with the right information and advice

03

Delivers the right balance of time, quality and cost for our organisation

04

Reduces demands on applicants as far as possible

05

Can tell us if we are doing a good job.

DECISION MAKING STRUCTURES

Trustees take responsibility under charity law for all grant-making decisions. But, provided our constitution allows it, there is no problem with delegating some or even all of this decision making to a sub-group of named trustees or to staff, where appropriate.

Many foundations do this for at least some grants or some parts of their process. Some prefer to delegate detailed scrutiny of applications but reserve powers of final approval for the trustee board and some involve all trustees at all stages.

Most foundations use some or all of the following five decision points, with different delegation arrangement and oversight for each one:

- Confirmation of eligibility
- Selecting the decision making route
- Shortlisting
- Assessment and recommendations
- Deciding whether to fund.

CONFIRMATION OF ELIGIBILITY

The first task is to confirm that the application is:

- within our funding powers
- has not been excluded by trustees as something they are not prepared to consider
- meets any technical requirements we may have over, for example, the frequency and number of applications from an individual organisation or our rules on submission of supplementary information
- within our stated priorities and guidelines.

This stage is generally treated as a routine administrative task, with decision making delegated to staff or to one or more named trustees. Rejections on the grounds of eligibility can then be made and communicated as quickly as possible. Some trusts produce a statistical report for the trustee board, showing the balance of ineligible and eligible applications or a list of those groups deemed to be ineligible, with the reason.

SELECTING THE DECISION MAKING ROUTE

Many foundations use different decision making processes for different kinds of grants. The most common differentiation is by size, with decisions on smaller applications made by staff or a small group of trustees and larger applications going to a grant-making committee or the full trustee board. However, some trusts differentiate by risk level, prior relationship with the applicant or other criteria. The aim is to make best use of resources by taking a lighter touch approach wherever possible – and to be able to process smaller or simpler applications more quickly. Again, trustees can keep oversight of these delegated grants through routine reports.

SHORTLISTING

Unlike initial eligibility checks, which are largely based on rules, shortlisting involves the exercise of judgement. At this stage we are looking for the proposals that will make the biggest difference against the priorities of our programmes. A well designed shortlisting system allows us to deal with high volumes of applications relatively quickly, so that we can focus any follow-up assessment activity – such as phone calls, visits or a full analysis of financial information – on the ones that are of most interest to us. Making decisions at an early stage also reduces the wait for some unsuccessful applicants, which is helpful for their planning. Some foundations delegate shortlisting to staff, others to a mix of staff and trustees or a sub-group of trustees. Some also involve external experts, beneficiaries, or community representatives in this stage of decision making.

Some foundations skip the shortlisting stage, taking all eligible applications through their full assessment process. This can work well if grant decisions are made purely on the basis of information submitted in the application form with very little time spent collecting more information through phone calls, visits and so on. It may also suit programmes with tight eligibility criteria, where only small numbers can be expected to qualify for assessment.

This approach has pros and cons for applicants. The absence of a shortlisting stage generally means unsuccessful applicants have to wait longer to hear the bad news, with impacts for their planning. But a process with fewer stages will usually take less time overall, getting grants out to successful applicants more quickly.

Others run a two-stage application process, asking organisations to submit a relatively short initial application, which is used to draw up a shortlist. Applicants who are successful at this first stage are then invited to present more detailed information before a final decision is made. This approach tends to suit foundations with broad programme priorities or who face high levels of demand for other reasons, such as a strong public profile. From an applicant's point of view, the advantage of a two-stage process is that it can reduce the amount of time wasted on unsuccessful applications, as only those groups with a reasonable chance of success are asked to supply detailed information. However, some would also argue that it is fairer to collect all the information we need from applicants before making a judgement – even if this means extra work for those that are unsuccessful.

If we decide to use a shortlisting process – whether based on a full application or a shorter first stage version – one or more of the following may be helpful in making these judgements as robust and fair as possible:

- **developing a scoring sheet** – enabling assessors to mark the application against agreed criteria and record brief reasons and evidence
- **having more than one initial reader** – so that each application is judged by at least two people to ensure consistency
- **ensuring that one (more senior) person reads all applications** – so that they have an overview and can review and challenge the recommendations of other readers
- **holding a review meeting of all readers** – particularly to discuss applications where readers disagree strongly or which are at the margins of being taken forward for more detailed assessment
- **making sure that the trustee board has oversight of these shortlisting decisions** – by presenting a summary of applications that were not given priority, with a brief explanation of reasons.

THE AIM IS TO MAKE BEST USE OF RESOURCES BY TAKING A LIGHTER TOUCH APPROACH WHEREVER POSSIBLE

ASSESSMENT AND RECOMMENDATIONS

Applications which have made it through the early stages of our process move on to more detailed assessment. This process enables us to test and build on the information provided by the applicant by, for example:

- **asking** for more details in writing
- **following up** by phone or email with further questions
- **visiting** the organisation
- **taking up** references
- doing our own **background research**
- **talking** to experts in the field.

The assessment stage leads to recommendations about how to allocate funds. Again, it makes sense to consider the checks and balances used in making sure recommendations are fair and consistent.

In larger organisations, peer or more senior review of the conclusions reached by different assessors can anticipate questions that trustees or other decision makers may ask, so that further information can be provided. It also shares skills and ideas and builds consistency between assessors. Foundations have different expectations of the assessment process.

Some, for example, expect their assessors to identify good quality, 'fundable' applications, leaving decisions on how to allocate the available budget to trustees or other decision makers. Others want these priorities to be worked out as part of the assessment process, even though decision makers may challenge and change them when they meet.

They also take different attitudes to the form in which recommendations should be presented. Some trustee boards want detailed assessment reports. Others want a couple of paragraphs, one or more risk ratings and a recommendation. And some want to see the original application, with or without additional comment.

IT MAKES SENSE TO CONSIDER THE CHECKS AND BALANCES USED IN MAKING SURE RECOMMENDATIONS ARE FAIR AND CONSISTENT

DECIDING WHETHER TO FUND

Some trustees, grants committees or staff with delegated authority to make grant decisions simply approve or reject the applications presented to them. However, others want more flexibility.

Options include:

- to award funding as requested
- to award funding at a different level (lower or higher)
- to award funding, subject to certain conditions
- to award funding and offer additional support, such as consultancy, training, or mentoring. Foundations who offer this kind of 'grants plus' support may either fund providers selected by the grantee (subject to certain checks) or allocate one of their own approved advisers to help them
- to offer alternative funding – such as a development grant to work up an interesting idea
- to reject the application
- to defer a decision for additional information or expert advice.

Positive decisions will then lead to an offer of funding to the successful applicant – although any unexpected recommendations, such as a development grant, may need to go back for further discussion and negotiations. Deferrals can be unpopular with applicants, particularly if they have been through a long assessment process. But they are generally more welcome than rejections.

FIND OUT MORE ...

Challenges, choices and guidelines in this area are considered in detail in *Assessing and selecting the work we support*.

STRUCTURING OUR APPLICATIONS PROCESS

In designing the most effective and efficient application process, we need to answer the following key questions:

- How will we solicit applications?
- When will we consider applications?
- What help will we give to potential applicants?
- What information do we need from applicants?

HOW WILL WE SOLICIT APPLICATIONS?

We want our funds to achieve the aims of our grant-making programmes. So we need to attract applicants with excellent ideas and who are capable of delivering good results. The first decision, therefore, is how far we want to spread our net to find applicants.

Most foundations operate **open programmes**. Although this makes demand less predictable, it does create a more level playing field, creating opportunities for any organisation that meets our eligibility criteria and is working in our defined areas of interest. The key to a successful open programme is thinking in some detail about the basis on which we will make judgements about the quality and priority of individual applications, agreeing them within the foundation and sharing them with potential applicants. This enables us to publish explicit and well-considered guidelines and to develop a robust initial filtering system.

Ideally, low priority applications will be discouraged, or turned down relatively quickly, enabling us to focus our attention on those we may be interested in funding.

Some foundations spend a proportion of their funds through **invitation-only programmes**. Some use these alongside open programmes to support current grantees with a proven track record to build on their achievements. The challenge for standalone invitation-only programmes is identifying the organisations that are most likely to deliver the greatest public benefit without relying solely on 'who we know'. The best invitation-only programmes are built on excellent needs assessment and research and a degree of subject expertise either within the foundation or brought in from outside.

WHEN WILL WE CONSIDER APPLICATIONS?

Some funders accept and process applications at any time. Others publish 'closing dates' when they begin to process all applications received since the end of the last cycle. And some use a mixture of both – for example, accepting small applications which are dealt with by staff under delegated authority from trustees at any time but dealing with larger applications against a published timetable.

These two approaches make a big difference to how a foundation works internally. Using cycles means surges of different types of activity, while continuous funding produces a greater mix throughout the year. For applicants, continuous funding can mean quicker results but only if decision makers meet regularly to take the final decision.

WE NEED TO BE ABSOLUTELY SURE OF THE QUALITY AND RELEVANCE OF THE QUESTIONS WE ASK APPLICANTS

WHAT HELP WILL WE GIVE TO POTENTIAL APPLICANTS?

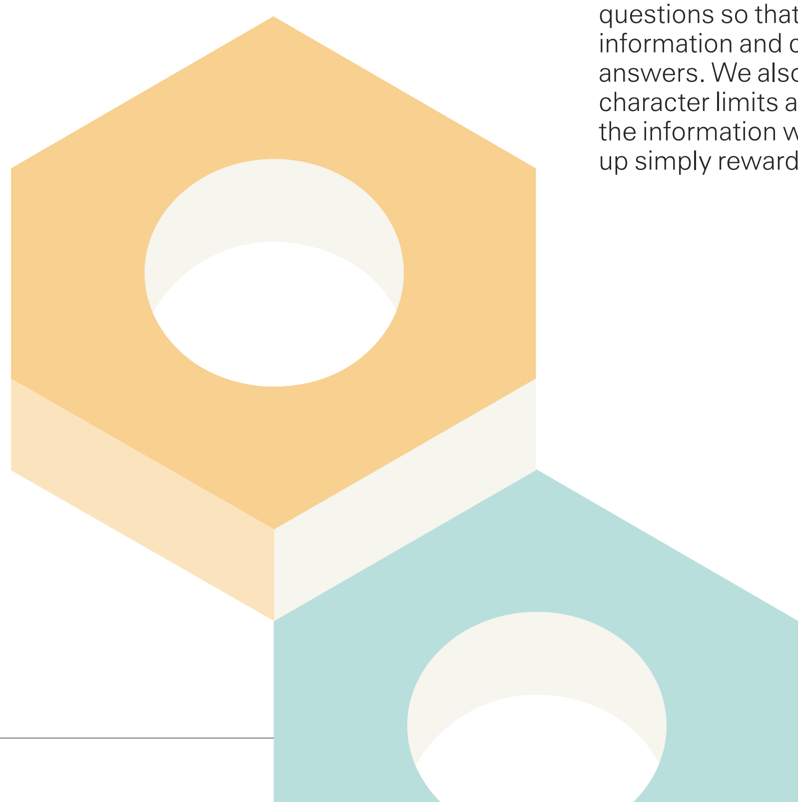
We also need to consider whether and how far we will support organisations in applying to our foundation. Approaches used include:

- **Written guidelines** – providing good information for grant-seekers is crucial if we are to attract the right applicants, deter those we are unlikely to prioritise, be fair in our approach and create realistic expectations.
- **Phone calls** – some foundations accept or encourage telephone calls from potential applicants before they complete an application. These may either be accepted as they come in or available on a surgery basis, where groups can book a time-limited call in advance. Although phone calls take time, they may cut down ineligible applications, reducing the workload for both the foundation and grant-seekers. Some offer this service only to applicants with communication difficulties or other special needs.
- **Emails** – offer an alternative method of communication before submission. This approach can have the advantage of recording any advice that we have given on an application, without the need to make a separate file note.
- **Feedback after stage one** – a foundation with a two-stage process may decide to offer feedback to successful applicants on any particular strengths and weaknesses in their application and the case that has to be made to increase the chances of success in stage two. Both phone and written feedback can work well here.
- **Development grants** – some funders, particularly those looking to make major investments with a big impact, offer development grants to some or all applicants whose work they are seriously interested in supporting. This provides the resources needed to develop detailed plans and proposals, reducing risk when grants are agreed.

WHAT INFORMATION DO WE NEED FROM APPLICANTS?

Our selection process relies on the information supplied by applicants in support of their proposals. So we need to be absolutely sure of the quality and relevance of the questions we ask applicants to answer. Generally they will have one of three purposes:

- **To support decision making** – most of our questions will be focused on this key task.
- **To judge the progress and success of a grant** – we may want to collect baseline data, such as the number of intended beneficiaries or the number and frequency of planned activities. We may also want to know the expected outcomes and how they will be measured.
- **To help us shape our programme overall** – we may want to monitor, for example, how well our funds are reaching members of marginalised communities or different parts of the UK.



STRUCTURING APPLICATION DATA

Some grant-makers prefer structured application forms, using a number of tick boxes and set questions, usually with word limits. Others invite applicants to make their case in a more open format. In part, this is a practical decision. If, for example, we want detailed overview data about programmes or we ask applicants to connect their activities to our programme outcomes, a structured format will make this easier. In practice, the two approaches may not be as different as they first appear. Foundations that adopt an open style generally provide detailed guidance on the information they expect applicants to include, often with some strict word limits.

And those that provide structured application forms often ask at least one question that allows applicants to raise issues not included elsewhere. The increasing use of electronic or online application forms has put greater emphasis on word or character limits against our application questions. Although this encourages succinct answers, it puts extra onus on us to avoid unclear overlaps between questions so that applicants don't have to repeat information and can make sure they give full answers. We also need to be sure that our character limits allow realistic space to provide the information with need, so that we do not end up simply rewarding excellent condensing skills.

BASIC INFORMATION

There are some questions that are common to pretty much every application process. These include details about the organisation (name, legal status and so on), contact information, a brief description of the proposed work and any other data that helps us establish eligibility. Many funders also want to review key public documents, such as constitutions, annual reports and accounts. For charities and registered companies, these are held by the relevant regulators and increasingly easily available online. Where possible, funders should look to access these directly, cutting out the need for applicants to supply copies.

OUR PRIORITIES AND INTERESTS

Beyond these core areas, the information we need depends on the criteria and priorities of our funding programme.

We need answers that will enable us to make robust judgements about:

- The quality and achievability of the proposed work – and the value of the benefits it is designed to achieve
- The applicant's capacity to deliver the work safely and successfully.

And, depending on our programmes, we may want to see a range of other supporting information including, for example:

- Management accounts and cash flows
- Business plans
- Key organisational policies, such as equalities or health and safety
- Policies relevant to the particular work we are considering for funding, such as child protection or management of volunteers.

PROPORTIONALITY

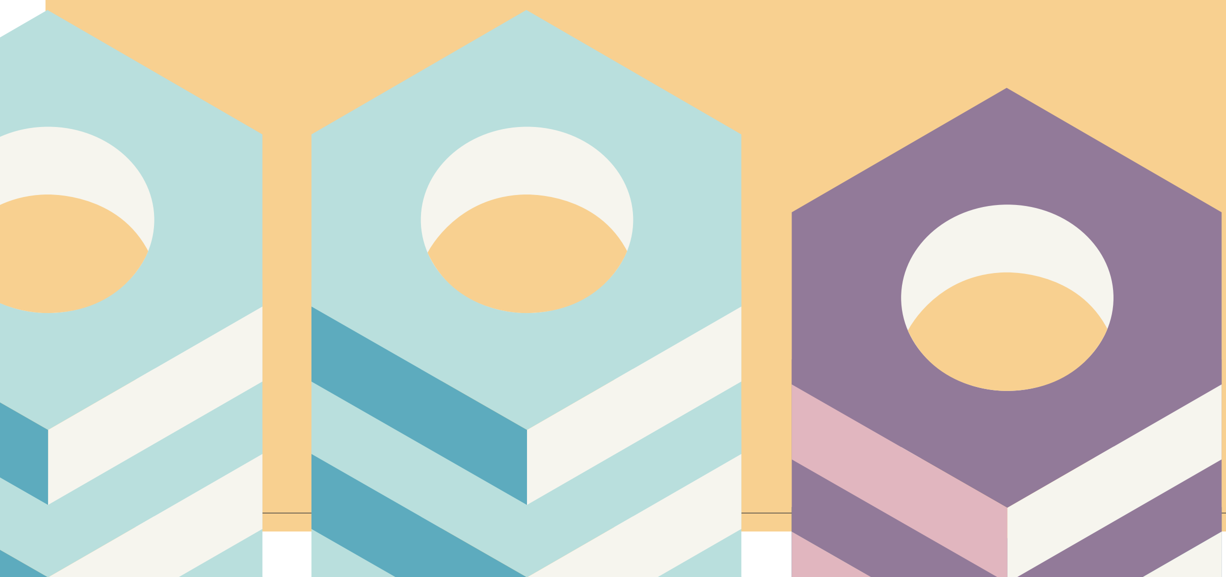
We need to remain alert to how demanding fundraising can be for organisations, making sure the information collected is both necessary and proportionate to the size of grant we are offering. As discussed earlier, some try to reduce this burden by using a two-stage process, only collecting detailed supporting information once a proposal has gone through their initial shortlist. But we can all make the process easier by making sure that we only ask the questions we really need answers to – and that our questions flow logically and do not duplicate each other. Developing guidance for applicants is a helpful way of testing that we are really clear about the information we are looking for under each question – and of checking that any word or character limits are realistic. Piloting and testing new forms or application guidelines provides a valuable outside perspective.

FIND OUT MORE ...

Guidance on developing and promoting guidelines can be found in *Promoting our priorities and how to apply*.

WE NEED TO REMEMBER HOW DEMANDING FUNDRAISING CAN BE FOR ORGANISATIONS, MAKING SURE THE INFORMATION COLLECTED IS BOTH NECESSARY AND PROPORTIONATE TO THE SIZE OF GRANT WE ARE OFFERING

COLLECTING, STORING AND MANAGING APPLICATIONS AND GRANTS



A key question for many foundations is how far to invest in the use of technology to support our grant-making and grants management.

This section gives a very brief overview of the different methods used by foundations, depending on their size, resources and level of comfort with different technologies.

Although not discussed here, in considering different information management and storage systems, it is vital to consider current data protection regulations and ensure we are compliant. And there is increasing interest amongst foundations in adopting an 'open data' approach, unlocking the social value of sharing grant information online in an easy to use way. Both these considerations are outside the scope of this publication.

A successful decision making structure needs the support of good systems for:

- Publicising grants programmes (if relevant)
- Receiving and processing applications
- Accessing and managing supplementary materials, such as accounts or policy documents
- Recording decisions about eligibility, shortlisting and whether to award a grant – and the reasons for them
- Enabling timely and effective communication with grantees
- Supporting good management of grants made, including timely reporting, payments and progress monitoring
- Checking that all decisions have been made with the proper authority
- Producing reports about the portfolio overall, such as funds allocated to different programmes or different parts of the UK
- Evaluating the success of projects and programmes to inform decision making.

PAPER AND LOW-TECH SOLUTIONS

Some foundations, particularly small ones, find a simple system of paper files with appropriate checklists for individual applications and grants fit for purpose. They will typically use a spreadsheet to keep information that trustees or others need in order to maintain an overview of the portfolio.

However, even for those that are happy with paper based systems, IT is playing an increasing part in all our interactions with applicants and grantees.

Most rely on websites for setting out their programmes, priorities and criteria and to make application forms and guidelines available. Some are active users of social media. As in all organisations, routine correspondence between foundations and applicants or grantees takes place by email. And very few now insist on hard copy applications delivered by post or by hand.

USING COMPUTER BASED SYSTEMS

STRUCTURED GRANTS MANAGEMENT SOFTWARE

Over recent decades, many foundations have chosen to adopt off-the-shelf grant management software packages designed to streamline administration and reporting. Systems vary in their history and focus but generally offer the opportunity to start with core modules, adding on new facilities – such as online applications – at a later date, if required. Although all allow users to develop their own forms, templates and coding systems, the underlying systems and processes are largely the same for all users. This provides foundations with the benefit of the collective thinking that has gone into developing a system specifically for grant-makers. And it means there are established reference groups of other grant makers, who are happy to share their experience of the pros and cons of the system in practice. But it may mean compromises in exactly how various processes are managed or additional costs in developing a more tailored solution. Generally off-the-shelf systems come with initial set up costs and some form of annual licence or maintenance fee.

CUSTOMISATION OF GENERIC SOFTWARE

Some foundations prefer to have greater flexibility and control over their processes and have decided to customise their own grant-making systems, using commercially available software. The market leaders in this field provide highly customisable frameworks for industries and businesses across the world, designed to enable them to manage relationships, collaborate and store data and documents. And there are established networks of technical advisers ready to provide support with specification and implementation. As is often the case with computer based systems, the major challenge is less with what the technology can do and more in thinking through – and user testing – our requirements to design an effective system. However, here too there are opportunities for trusts and foundations to benefit from the learning of others – both in other sectors and from foundation colleagues who have adopted this approach.

A FULLY TAILORED SYSTEM

A number of very large grant-makers have developed their own bespoke systems to give them complete flexibility over design and functionality. A few have experimented with creating apps. But all would acknowledge that this is a complex and potentially risky task that demands a great deal of planning, analysis, user testing, money and time.

SOME FOUNDATIONS ARE INCREASINGLY INTERESTED AN 'OPEN DATA' APPROACH, UNLOCKING THE SOCIAL VALUE OF SHARING GRANT INFORMATION ONLINE IN AN EASY TO USE WAY

ONLINE APPLICATIONS

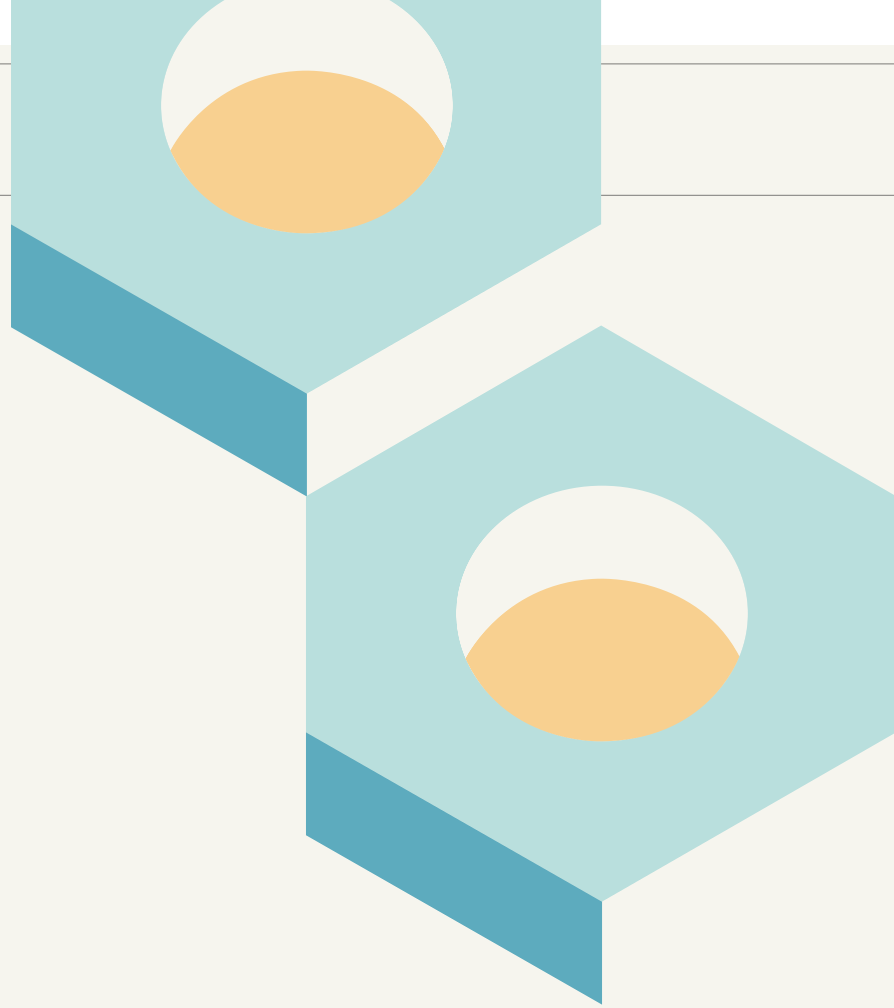
Those with computerised grants management systems may be able to invite applicants to apply online. This has the advantage of creating a direct link between the application and internal systems, allowing key data to be transferred automatically to support the application process, reporting and later grant management. Traditionally, foundations have been concerned that the use of IT can exclude certain groups from the application process, although others have found that applicants welcome what they see as a quicker and more streamlined process. As with any system, the challenge is to keep the needs of applicants firmly in mind at all times and to test the system with a range of organisations to make sure it is user-friendly and sufficiently flexible. Some of the issues we need to consider include:

- **Scoping opportunities** – Do potential applicants have access to enough information before deciding whether it is worth going through a sign up process? How easy it is to get an overview of the application form – all the questions, their character limits and guidance – before getting started?
- **The structure of the application** – Is the information we want in each question clearly specified? Does relevant guidance appear alongside questions? Are word/character limits realistic – and are they clearly stated?

  Is it possible to use any kind of formatting (e.g. bold or bullet points) to present the information more clearly? Can information that is best given in table form (e.g. work plans and budgets) be easily entered or attached?

  In a two-stage system, is all the information submitted in stage one available for applicants to build on in completing their stage two form?
- **Preparing and submitting the application** – Is the system robust and free of glitches? Does it regularly save any information added by applicants? Will it work with old versions of operating systems, different software or web browsers? Is the application form clear and easy to read in a saved or printed out version so that applicants can easily work on questions offline or share them with a larger group? Are any requirements for submitting additional documents, signing off or validation clear and easy to follow? Can the system cope on deadline day? What help is available if things go wrong?

KEEP THE NEEDS OF APPLICANTS FIRMLY IN MIND AT ALL TIMES AND TEST THE SYSTEM WITH A RANGE OF ORGANISATIONS TO MAKE SURE IT IS USER-FRIENDLY AND SUFFICIENTLY FLEXIBLE



ACF is grateful to Liz Firth for writing this publication and to the many trusts and foundations she consulted for their advice and expertise.

With more than 25 years in the charity sector, Liz has long experience as both an applicant and a grant-maker, including as Grants Director for a large national and international grant-maker. As an independent consultant, she works with a wide range of funders – including endowed, fundraising and spend-out foundations, corporate and family trusts, reactive and proactive donors – as well as with the operational charities they support.

Liz has produced numerous resources for ACF members over the years including publications on greener grant-making, endowment management and lessons from spending out.

This series would not have been possible without the generous support of The Santander Foundation.

ACF is the membership body for UK foundations and grant-making charities. Driven by a belief that foundations are a vital source for social good, our mission is to support them to be ambitious and effective in the way that they use their resources. We do this through the provision of policy and advocacy, research and information, and a wide-ranging programme of events and learning. Our 330 members collectively hold assets of around £50bn and give over £2.5bn annually.

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