



Association of Charitable Foundations

Promoting the effectiveness of UK grant-making trusts

Guidelines for funders of voluntary organisations

These Guidelines contain general principles for those funding voluntary organisations, including government, grant-making trusts and foundations, and corporate givers. They represent a shared vision of what constitutes good practice in grant-making. As such, they do not apply to the provision of gifts in kind and do not take account of the responsibilities which fall on recipients of funding.

The Guidelines were published in July 1997. They were developed in consultation between the Association of Charitable Foundations, Charities Aid Foundation, the Corporate Responsibility Group, the National Lottery Charities Board, the Home Office on behalf of central Government, and local authority associations. The diverse range of interests and sectors represented by these organisations means that the Guidelines cannot be wholly representative of each funder's approach and will not always apply to every funder. But it is hoped that all funders will aspire to them, and follow them as much as individual circumstances and resources permit.

The Guidelines are not an authoritative statement of the law and should not be taken to override requirements in legislation, a company's memorandum of association, or a trust's governing instrument.

1. Access to Funding

1. Funding opportunities should be appropriately publicised, through directories of funders, explanatory leaflets, national and local umbrella organisations, and the media. This is particularly important where an opportunity is one-off or annual, or where the terms are frequently revised.
2. Enquirers should be able to find out easily what the funder will and will not support; key conditions of funding; exclusions; the likely scale of competition for funds; any upper or lower limits on grant size; how to apply for a grant; how the applications will be handled; and how long it will take to reach a decision.
3. Information should be disseminated early enough to allow time for applications to be prepared, taking into account the circumstances of potential applicants.
4. Application forms (where used) and accompanying instructions should be clear and user-friendly and any additional documentation required should be specified. Where application forms are not used, guidance notes or a simple information checklist should be provided.
5. Funders should consider whether special steps are required to ensure fair and equal access to information and funding across geographical areas; for black and ethnic minority groups; for groups from different religious and cultural backgrounds; for disadvantaged groups; and for those with special needs whom the funder particularly wishes to reach. Funders should also consider monitoring the effectiveness of this approach.
6. Where funding is provided in Wales, funders should consider whether they can produce bilingual information and receive applications in Welsh; statutory funders will be obliged to

do so under the Welsh Language Act.

2. Processing Grant Applications

1. Timetables and procedures for processing applications should be set and publicised, with particular emphasis on deadlines and the reason for them.
2. Funders should identify clearly the information which they wish to collect and how that information will be used in the decision-making process. This could cover the applicant's objectives; experience of related work; the purpose and expected outcome of the work to be funded; financial competence; and current financial position.
3. Unless a rapid turn around of applications is already in place, completed grant applications should be acknowledged on receipt, even if this requires the applicants to supply a prepaid, self-addressed envelope.
4. Where appropriate, applicants should be made aware of suitable sources of advice and help with their applications.

3. Decision-making

1. Funders should have clear internal procedures for making grant decisions. These should cover the extent of any delegated authority, the timetable, the criteria for approval, and any training or special expertise required for the decision-making process.
2. Funders should consider whether arrangements should be made to avoid any improper conflict of interest arising for those involved in decision-making.
3. Applicants should be notified of decisions as soon as possible. Funders should be aware that a late decision can cause substantial problems for an applicant, especially where another funder is involved. It may delay the start of a new project or involve the issue of redundancy notices to staff, and will inevitably mean a disruption of the applicant's work.
4. For successful applications, where funding is requested for a specific period (eg a financial year), it may be helpful to give a provisional indication of the grant as far in advance of the start of the period as possible, but a definite figure should be confirmed not later than the start of the period.
5. It may be helpful for unsuccessful applicants to be given the principal reasons for a refusal to make a grant (eg where an application falls outside a funder's policy).

4. Selecting Whom to Fund

1. Applications should be judged on substance rather than presentation, except to the extent that presentation is material.
2. Funders should consider whether voluntary organisations should be encouraged to seek funding from a range of sources, recognising that such encouragement may in different circumstances constitute a reasonable challenge or an unreasonable burden. Where matching funding is required, funders should consider the economic value of volunteering and of

community activity and self-help. Funders should be careful to avoid 'double funding', and statutory funders should have regard to any Treasury rules on maximum Exchequer support applying to their particular grant scheme.

3. Funders should consider requiring evidence of a voluntary organisation's commitment to equal opportunities in terms of their own personnel policies and the delivery of services to their clients. In considering whether to require such evidence, funders should have regard to any relevant constraints (eg EC rules on public sector procurement, Part 11 of the Local Government Act 1988).
4. Funders should consider the extent and nature of the contribution which volunteers and users might make to the proposed activity where this is consonant with wider policy objectives.

5. Payment Procedures

1. There should be written confirmation of the grant offer and any conditions before any payment is made. It may also be appropriate to confirm the applicant's acceptance of these conditions.
2. Grant conditions should clearly state the amount, purpose and duration of the grant; the arrangements for payment; the monitoring and evaluation arrangements which apply; and the circumstances in which funding might be terminated (see 6.5).
3. Funders should recognise that some organisations cannot function without receiving payments in advance, and should make suitable arrangements where possible. Funders should also be aware of the problems for grant recipients that may be caused by departure from any agreed schedule of payments.

6. Monitoring & Evaluation

1. Appropriate measures of performance (ie monitoring) and outcome/output (ie evaluation) should be agreed at the outset with all organisations receiving funding. These should conform to clear policy objectives for the overall grant scheme.
2. Monitoring should not become an excessive burden on either funder or funded, but should be appropriate to the level and type of funding provided, the nature of service required, and the need to ensure proper accountability.
3. Funders should evaluate their grant schemes according to their own specific criteria and should encourage voluntary organisations to use self- evaluation. Where appropriate, funders should act in consort with any other funders supporting the same piece of work.
4. Funders should request appropriate levels of financial information and should normally ask for independent verification of accounts, through audit & or independent examination.
5. Funders should ensure that they have arrangements in place for terminating funding in the event of unsatisfactory performance or breach of grant conditions.

7. Dissemination

1. Funders should encourage organisations to disseminate the results of projects of general

interest; and if necessary should make provision in the grant for dissemination.

2. Funders should disseminate the results of evaluations where this would be useful for other funders and voluntary organisations; funded organisations should be informed of this possibility at the outset (see 5.2).

8. Changes to Funding

1. Funders should give as much notice as possible of any changes in grant scheme policy or management arrangements.
2. Voluntary organisations should be consulted prior to any changes in their funding position which arise from evaluations of individual grants.
3. Funders should ensure that decisions on funding are taken well before arrangements have to be made to terminate a service. Attention should be paid to company, charity, insolvency and employment legislation.

Appendix: Types of Funding

Three common types of funding arrangements are detailed below. The accompanying guidelines may be relevant if a funder chooses to employ that particular funding model. However, these are not the only funding models available, and these guidelines are not intended to limit in any way the choice of funding arrangements available to grant-givers.

Core Funding

***Definition:** where the funding contributes to the cost of core functions of an organisation to enable it to develop and maintain a body of expertise, possibly as the basis for specific services or projects which may be separately funded. Examples of core functions include general administration and training.*

- Core funding should normally be for more than one year at a time, ideally on a rolling basis, with an annual review of funding based on a strategic plan and a detailed work programme for the coming year. This will provide security and allow for future planning, subject to resource constraints. An exception to this model could be small top-up payments towards an organisation's core costs.

Project Funding

***Definition:** where the funder has a requirement for one or more specific objectives and pays an organisation to accomplish them, or where the applicant wishes to develop a project which falls within the funder's objectives.*

- Funders should ensure that applicants include costings of overheads associated with the projects, indicating the extent to which those are covered by core funding.
- Funders of project grants should consider the need to agree an exit strategy with the proposed recipients, eg specifying time limits at the outset, or tapering funding.

Service Funding

Definition: where the funder requires some large-scale or particular service and contracts with one or more organisations to provide it, paying *pro rata* or on some other clearly defined basis.

- Procurement is governed by a separate legal framework which brings additional requirements and responsibilities including, in some cases, the need to comply with EC requirements.
- Funders should be aware that service providers may be obliged to charge VAT.

Sponsors

Association of Charitable Foundations	Charities Aid Foundation
Corporate Responsibility Group	Home Office
National Lottery Charities Board	Local Government Association
Scottish Office	Northern Ireland: Department of Health and Social Services
Welsh Office	Welsh Local Government Association

Printed copies of these Guidelines are available from the **Association of Charitable Foundations, 4 Bloomsbury Square, London WC1A 2RL**. Please supply a stamped, self-addressed envelope.

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Historical Note

The lead organisation behind the *Guidelines for Funders of Voluntary Organisations* was the Association of Charitable Foundations. Most of the drafting was done by Nigel Siederer. The *Guidelines'* origins lie in some inter-sector discussions among funders initiated by ACF in 1994. The negotiations to bring the *Guidelines* to publication took three years, and the eventual consensus behind them included government departments across the four nations of the UK, the soon-to-be-amalgamated local government associations in England, the voluntary and corporate sector's funders, the National Lottery Charities Board (now the Community Fund) and Charities Aid Foundation. The *Guidelines* were issued in Spring 1997 in the late months of the last Conservative Government, and then reissued in the early days of the incoming Labour Government. They were eventually replaced by the *Code of Practice on Funding* issued under the *Government-Voluntary Sector Compact for England* and its counterparts in the other UK nations and in some local areas.