

A DISCUSSION PAPER:

Making things simpler for fundseekers

This paper explores ways in which funders¹ can make the process of applying for grants, and accounting for them, simpler. We hope it will encourage funders – individually and together with other funders – to look for opportunities to make their processes more user-friendly.

¹The term 'funder' covers grantmakers, donors and funders; and 'fundseeker', grantseekers, donees and fundseekers. The term 'grant' is used to refer to grants, donations and funds.



Overview

The present lack of consistency can make fundseeking stressful. It can inhibit long-term planning and the ability of community groups and organisations to attract good people. New fundseekers, especially, may be intimidated by the complex procedures required to apply for funding. These are typically from smaller organisations and more likely to be volunteers than paid fundraisers. If they are from organisations which rotate committee roles, they can be further disadvantaged as fundseeking experience is often lost.

In New Zealand funders include private, community and statutory trusts and foundations, gaming and licensing trusts and foundations, as well as local and central government. These funders have different purposes and priorities, regulatory restrictions, internal cultures, decision-making processes and available resources. They also have different application and accountability procedures. While some funders are well versed in a culture of collaboration, others are not. This means finding common ground is not always straightforward.

Fundseekers too are very diverse. They range from small community groups with little knowledge of the funding world, to large, sophisticated entities which may consider the fundseeking process relatively manageable.

In order to bring together ideas on how to simplify and improve the funding-fundseeking process, a review of the local and international literature on funding issues was carried out and a range of funders and fundseekers were interviewed. The 35 interviewees came from 14 funder and 13 fundseeker organisations – most from Waitakere City. The full spectrum of fundseekers has been represented, from small community groups to larger, more experienced organisations.

Good relationships between fundseekers and funders and user-friendly processes can not only improve the fundseeking process, but also reduce the imbalance in power between seekers and funders. Each has a role to play and both are needed to achieve their common goal of strengthening communities.

Key findings from the New Zealand literature

- The importance of funder networking, particularly the role of regional funder forums in facilitating information sharing and good practice in funding.
- The need to improve relationships between government, the community and the voluntary sector.
- The need to place more focus on outcomes and trust-based relationships, rather than compliance.
- The considerable opportunities for partnership and funding provided by the Local Government Act (2002), which requires councils to promote community wellbeing.
- The Auditor General has proposed a funder/fundseeker code of practice, the use of a collaborative process and the allocation of resources

to help fundseekers access funds, along with multi-year funding to enable long-term planning.

- Treasury guidelines include a formal consultation process to build shared understanding and clarity, use of the Treaty of Waitangi when engaging with Māori and avoidance of unnecessary compliance costs. The guidelines suggest standardised application procedures, compliance conditions and reporting templates.

Key findings from the international literature

- Funders need to ensure projects match their mission. They also need to allow time for extensive consultation and be prepared to compromise.
- Some funders, recognising that organisations cannot be effective if core operating costs are not met, are increasingly funding general operating costs rather than individual projects.
- Applications from indigenous organisations and funding for indigenous community projects can be increased through capacity building.
- There needs to be smarter use of technology. Standardised online application and report formats, for example, can make life easier for fundseekers and funders (although the specifics need to be carefully thought through).
- Multi-year funding gives organisations more flexibility and facilitates longer-term planning.
- Funders can improve the clarity and ease of application and accountability processes, assist with organisational capacity building and increase efficiency by working more collaboratively with one another and with fundseekers.

Findings from interviews with funders and fundseekers²

The interviews explored ways to improve engagement with funders, application processes and accountability requirements could be improved.

²Funder interviewees: ASB Community Trust, Community Organisation Grants Scheme (COGS), Guardian Trust, John Mortimer, JR McKenzie Trust, Lion Foundation, Ministry of Social Development, Office for the Community & Voluntary Sector, Philanthropy Australia, Philanthropy NZ, Tindall Foundation, Trust Waikato, The Trusts, Waitakere City Council; Fundseeker interviewees: Auckland Conductive Education, Auckland Kindergarten Association, Barnardos, Basketball Waitakere, Child Connection Trust, Community Waitakere, Disability Information Waitakere Network, Man Alive, Ngati Whatua, NZ Ethnic Social Service Trust, Pacific Island & Safety Trust, Te Kawerau a Maki, Waitakere Anti-Violence Essential Services 4 Funder Collaboration Research & Scoping Project.

Issues raised around engagement included:

The need for funders to clearly identify their interests and explore where they fitted together and where they didn't, so that funding was less fragmented. This would make it easier to see where the gaps lay and where value could be added.

Suggestions that funders and fund-seekers could draw up agreements to create partnerships. These could be along the lines of the statements of intent, charters, and memorandums of understanding developed by the Government.

The need to help fundseekers better understand structural differences between funders and the implications of those differences. This would lead to better funding outcomes.

The importance of funding advisors, relationship managers, and personal contact in making the funding process simpler and richer. All participants spoke of the importance of personal contact with funders.

The usefulness of regional funder forums as places to field issues, share learnings and form networks – and of funder expos as settings to bring together funders and fundseekers in a neutral environment. (The need to ensure marginalised groups could afford to attend was stressed).

Resourcing independent 'information hubs' was seen as a way to improve the success of new, small, inexperienced and marginalised fundseeking groups. These hubs could provide essential expertise in fund-seeking. Their awareness of community needs and service providers means they could potentially match fundseekers with appropriate funders.

While many funders provide information and application forms through websites, some organisations share a common database of fundseekers. On-line processing of funding applications is being investigated. Questions were raised over how data could be stored, shared and updated through an online portal.

Collaborative projects can reduce compliance costs and save time, if based on a high-trust relationship. Establishing a lead funder and a fund-seeking budget holder can streamline funding and accountability procedures, as well as facilitate funders-fundseeker communication.

Issues raised around the application process included:

The uncertainty created by short funding cycles and part-funding. In contrast, multi-year funding was seen to provide better resourcing and to be more effective, as was funding for administration costs and capacity building.

A common application form was the most frequent request from fundseekers – although they made it clear there should be space provided so that points of difference could be expressed.

Staged applications, where only brief proposals are required initially, were valued.

There were requests that the current 'decline' process be made more useful to fundseekers by giving helpful feedback about why the application was unsuccessful. Alternative avenues for funding could also be suggested.

Changes to gaming trust application and accountability requirements were seen to have adversely affected smaller organisations because of the increase in compliance costs.

Issues raised around accountability included:

The importance of accountability: there was consensus that good compliance protects funders, fundseekers and the community and could "add something to the process".

Because compliance costs can eat up a significant proportion of funds sought, especially in the case of small grants, it was suggested accountability requirements should be relative to grant size.

Making a template or software available for financial accounting could both satisfy funder needs for accurate financial information and reduce fundseekers' accountability costs. If funders were willing to accept standardised accountability reports, this could further reduce compliance costs.

There were requests to explore the funding of evaluations, possibly through partnerships between funders and joint funding arrangements.

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Suggestions for funders

The following suggestions could make it more straightforward for fundseekers to apply for funds and be accountable for them. These include areas where funders could improve their own practices, and where they could work together to bring about improvements.

Areas where each funder might look to improve their own practice:

- Review current application processes to make them as simple, supportive and efficient as possible. This includes ensuring accessibility to personnel and making special provisions for new and small fundseeking organisations.
- Re-visit part and multi-year funding policies so fundseekers can plan longer term and access sufficient funds. Pooled funds and collaborative funds could be a solution to funding short-falls. More decision-making authority given to staff could allow for small, ad-hoc funding top-ups.
- Move to organisational as opposed to project-based funding. This would help organisations cover their core operating costs and salaries. It would assist in building organisational capacity and provide greater long-term stability.
- Review the decline process so fundseekers know why their application failed. Unsuccessful fundseekers could be referred to fundraising support services such as local council funding advisors and community and social services for help. Where relevant, they could be advised of other possible funding sources.
- Make accountability requirements commensurate with grant size. Current compliance costs can easily reach 10% to 15% of the value of small grants.
- Consider your internal systems – how well do they enable or restrict working together with other funders? Can they be improved?

In conclusion...

While the purpose of this project has been to look at ways funders could streamline the process of applying for funds and complying with accountability procedures, thus making it easier for fundseekers to access funds, many of the options presented offer benefits to funders as well as fundseekers.

This discussion paper, completed by Penelope Carroll, is a summary of research prepared by Adrian Feasey for a group of organisations with an interest in the funding of community agencies in Waitakere: Community Waitakere, J R McKenzie Trust, Tindall Foundation, Waitakere City Council, Waitakere Licensing Trusts and ASB Community Trust. The full report is at:

- www.waitakere.govt.nz
- www.jrmckenzie.org.nz
- www.ASBCommunityTrust.org.nz/Trust-research.html

Working together

Areas where funders could work together to improve things:

- Talk to one another, for example at regional funder forums and Philanthropy New Zealand events. Develop networks, share ideas, and explore common issues.
- Commit to learning and improving; create a charter or other document that captures the intention, spirit and goals of the funder/fundseeker relationship and serves as a guide for engagement.
- Explore ways in which the Local Government Act (2002) could be used to identify community needs, facilitate consultation and co-ordinate funding.
- Help fundseekers understand how the funding world operates. For example, resource 'information hubs', providing local advisors that people can speak to, which complement information available on the web. These 'hubs' could match fundseekers with funders.
- Investigate a 'common application form' available on-line, downloadable and storable. This could reduce confusion and fundseeker investment in the application process. It could also make it easier to link funders and fundseekers in collaborative projects.
- Explore in greater detail current information collection systems and information needs to increase co-ordination and reduce duplication.
- Work with other funders to investigate outcome and evaluation-based accountability rather than compliance. Compliance-focussed reporting adds little value to the overall process, whereas outcome and evaluation-based accountability can foster higher trust and learning-based relationships.
- Consider other financial monitoring tools beyond audits as acceptable accountability devices, particularly for small grants – for instance having a chartered accountant review financial statements.
- Look for opportunities where pooled funding might increase the simplicity of fund-seeking and the effectiveness of community funding.
- Co-ordinated funding timetables would make it easier for funders to work together to create funding packages.

Other

- Review gaming trust legislation and practice in relation to compliance costs for small grants.

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